

THE COMMONWEALTH OF INDUSTRY

THE SEPARATION OF
INDUSTRY AND THE STATE

BY

BENJAMIN A. JAVITS

*Author of "Business and the Public Interest";
"Make Everybody Rich: Industry's New Goal."*



HARPER & BROTHERS PUBLISHERS

NEW YORK AND LONDON

1936

THE COMMONWEALTH OF INDUSTRY
COPYRIGHT, 1936, BY HARPER & BROTHERS
PRINTED IN THE UNITED STATES OF AMERICA
FIRST EDITION
D-L

All rights in this book are reserved.
No part of the book may be reproduced in any
manner whatsoever without written permission.
For information address
Harper & Brothers

To
L. J.,
my dear wife, who sacrificed much to make
this effort a reality,
and to
J. K. J.,
my devoted brother, whose lifelong aid and
encouragement cannot be appraised in words

CONTENTS

FOREWORD BY J. K. JAVITS	ix
PREFACE	xiii
I. THE AIM OF AN INDUSTRIAL CIVILIZATION	1
II. THE SEPARATION OF INDUSTRY AND THE STATE	16
III. A WORKING PHILOSOPHY FOR BUSINESS: POWER WITH RESPONSIBILITY	26
IV. THE "OLD" DEAL 1800-1911; 1912-1932	33
V. THE "NEW" DEAL 1933-1936	46
VI. THE ORGANIZATION OF THE COMMONWEALTH OF INDUSTRY	57
VII. THE ORGANIZATION OF THE COMMONWEALTH OF INDUSTRY <i>(Continued)</i>	68
VIII. THE GOALS OF AN INDUSTRIAL COMMONWEALTH	85
IX. WHAT IS PROFIT?	99
X. THE USE OF CREDIT	111
1. Consumer	111
2. Industry	125
3. Government	130
XI. CREDIT AND WORLD PEACE	133
XII. THE AMERICAN INDUSTRIAL COMMONWEALTH vs. EUROPEAN COLLECTIVISM	147
XIII. THE RÔLE OF MANAGEMENT	159
XIV. THE RÔLE OF LABOR	169
XV. THE RÔLE OF THE FARMER	180
XVI. THE RÔLE OF THE CONSUMER	189
XVII. THE RÔLE OF WOMEN	196
XVIII. THE ACADEMY OF INDUSTRY	201
APPENDIX	
A POLITICAL PLATFORM EXPRESSING THE PRINCIPLES OF AN INDUSTRIAL COMMONWEALTH	208
INDEX	219

FOREWORD

IT WAS commonly supposed at the close of the World War that we were on the threshold of a new era in world economy. The vast reservoirs of credit and productivity which the world had discovered under stress of war held great promise for our future material well-being. The leveling processes of the war had exploded the notion that a large part of society was sentenced by some higher law to suffer poverty and live on a bare subsistence level throughout the ages. All men were believed to have the right to want all things and the world, at least in so far as Western civilization was concerned, apparently had learned to produce them.

The intelligent use and equitable distribution of the newly discovered power of credit might have created the mechanics for distributing this great productivity into useful channels. But production is the output of machines which have no past concepts or beliefs to live down and which once started continue to produce; while credit is the product of men. And men we found to be still rooted in the economic prejudices and clichés of the pre-war era, the moment the lash of war was removed. The credit upon which all depended was not treated as a social instrument, but as a personal resource to be spent or withheld at the will of the temporary possessor. As a result the repayment of loans was demanded before they had had time to create the values which they were loaned to create, while great quantities of credit were diverted to speculation in the instrumentalities of credit itself. The nations as well as individuals were motivated by the same practices. Production, deprived of its proper conduits and vessels which are credit, became an unleashed flood which overwhelmed us all.

There were some who warned of this débâcle. Among them, my brother, the author of this book. In his book, *Industry's New Goal*, published in 1929 he pleaded with American industry to improve the hour of its greatest ascendancy by laying plans which would build up a great body of organized and dependable purchasing power, release credits on a sound basis, reduce the wastes of unrestrained competition, and thus avoid the penalties for the excesses of speculation and cure the failure to increase real consuming power then plainly apparent. He made the point that the time to provide against depressions was during

times of prosperity, before the emergency was upon us and when we had the time and the resources with which to take constructive measures.

In the present volume he makes the plea again at a most timely hour, when the realization of the overwhelming disaster of the last depression is yet upon us, when over 20 per cent of our employable population is still unemployed, when we are still spending five billions annually for national relief, but when at the same time our bank reserves are at their all-time peak, when the industrial averages have come back from 50 per cent to 80 per cent of their depression low, and when national income is again moving toward higher levels.

We must fervently hope that our industrialists and our people will heed the call this time. If the world cannot survive a modern war, as many predict, it can stand even less another modern world-wide depression.

This time the author presents as his plan an Industrial Commonwealth to attain the objectives he creates for our industrial civilization. The plan proposes to lay the basis, in the organization of industry by itself, for the extension of vast credits for consumption, and by giving industry the right to govern itself in the public interest to establish that confidence which will maintain the requisite credits and increase their velocity. Many economists have advocated large consumer credits as a means for realizing our vast potentialities in national well-being. But few have endeavored to map out a course by which the credit risk could be made good—without which no credit will long continue to be offered. And that is essentially the function of the plan in this book.

Its credo, in a word, is "let us organize for consumption." It should not take much arguing to convince us to take the best the world has to offer, yet it is symptomatic of human perversity that we should be hard to prevail upon in this respect.

Beyond this credo the book has yet another purpose. It invites a declaration of independence and a constitution for our economy. A declaration of independence because it declares a divorce of the state from industry—a social development as radical and necessary as the divorce of church from state during the Reformation, and having many of the same causes and justifications. A constitution in recognition of the fact that economic and political freedom can be preserved only to those who live according to law.

Industry has become the dominating influence in our national life, and as such has become the first care of political government, traditionally hungry for power. The affairs of the machine are not to be guided by the ebbs and flows in popular sentiment which are contemporaneously reflected in politics. Our moral and political problems

may well be so subtle and so flexible that they must of necessity be subjected to the fervor as well as to the vagueness and delay of political administration. But not so with industry. The machine must be fed regularly and systematically with raw material. Railroads must run on schedule. The morning milk must be delivered if it is to be there for our breakfasts. The pace and temper of today's legislative hall is fatal to the modern factory.

The problem cuts even deeper. Any effort by political government to direct or regulate industry must, because of the nature of industrial decisions which cannot be debated and are multitudinous, vest increased powers in the executive branch of the government. The tug of war which has been going on between the Roosevelt administration and American business over the constitutionality of "New Deal" legislation, has as its essence this fact. The nature of the subject-matter dealt with in the National Industrial Recovery Act, the Public Utility Act, the Wagner Labor Relations Act, the Agricultural Adjustment Act, and others, demanded the vesting of full powers in the executive because of the business nature of the subjects legislated upon. Without such power there could be no such legislation, without such legislation our liberties would not be imperiled. The taking by industry of rightful control over its own destinies and its own responsibilities will remove the causes of such efforts to exert unconstitutional power.

Intelligent men and women cannot help but realize that unless industry has a plan and a program, and the good faith and enlightened self-interest to carry it through, many of our dearest liberties are doomed. Should the Supreme Court continue to nullify by declaration of unconstitutionality many of the efforts regarded by the "New Deal" as necessary to alleviate the condition of the economically underprivileged who constitute the vast part of our population, and should industry fail or refuse to assume its responsibilities in this regard, constitutional amendment vesting greater power in our Federal government over economic matters may well result. Considering the instability of American politics and the traditional lack of interest of our people in this phase of our national life, such a constitutional change might conceivably be the first step toward a dictatorship. And this without any such intention on the part of many of the well-meaning men and women now directing our national political affairs.

Recent expressions of organized industrial and business interests do not indicate the presence of any mature program of action at this source. I do not believe that our people will rest content for long with appeals to the spirit of the founders. Nor is it right that they should. In a country as rich as ours they are entitled to economic well-being

and to security. Industry has thus far given no adequate answer to the question of the "New Dealers"—What would you do in our place? Nor have political agencies been fair in taunting and baiting business and industry still beset with depression problems. The next move, however, is definitely that of business; the "New Deal" has already made its moves and tried its remedies.

Our country and our people are at the crossroads. Those who cherish our freedom and well-being must come forward vigorously to save them. The men of industry, always regarded as materialists, have here an opportunity unparalleled in history for dedication to high social purpose, with predictable sound business results which can be realized during their lifetimes, of abundance and peace for all of us. Will they lead?

The author has shown the way.

J. K. JAVITS

New York,
April 1, 1936

PREFACE

FOR twenty-five years we have been living through a basic revolution. The tides of invention and mechanical progress have been sweeping us at a terrifying pace away from familiar landmarks to a shore whose outlines we are just beginning to glimpse. In our ability to chart the seas ahead lies the answer to the question whether the industrial civilization of which we are a part shall be made the subject of our will or the destroyer of our liberties.

The problem of the machine and the machine age, however, is difficult. Caught in forces whose origins we discern but dimly, we are groping for a solution that eludes us. We are striving to build a working philosophy in the light of which we can understand the fundamental questions raised by man's technological creations.

People are seeking today to learn the nature and ultimate end of our machine society. How can we retain the benefits of the old civilization and the advantages of the new? Is our ultimate destiny the development of a process which will result in a series of push-buttons to supply our needs? In the meantime, what is the significance of the system of credit that we have been piecing together like a patchwork quilt? Money, stocks, bonds are pieces of paper that in the final analysis represent human values. If by using such pieces of paper we can ultimately achieve economic security and freedom, shall we use them now on a broader scale? Is our competitive scheme destructively dividing or constructively uniting our economy?

The author has attempted here to offer a philosophy that will integrate these various elements of our economic and political existence—a philosophy that has taken more than twenty-five years to mature in his mind and more than three years to reduce to writing. The Commonwealth of Industry is submitted in broadest outline, in the manner of a freehand, rather than a final, drawing. While the details in themselves may contain nothing new, it is to be hoped that as a mosaic, it will at least picture for us the pattern of our industrial civilization.

We shall refuse to quarrel with those who may charge us with having sketched lines in our freehand drawing which do not belong or with having left out lines entirely. We know that it will take hundreds, possibly thousands, of men and women to make the blueprint of the Industrial Commonwealth. What we have said in the coming pages is said

with the knowledge that society and life are dynamic and with the conviction that those who will undertake to build an Industrial Commonwealth will build upon that principle.

As we stand today, we are all "prisoners of politics." Government and politics have not brought the peoples of the earth together, but rather have forged the chains that impede international cooperation. The first respected ties between nations were established by business and trade, and we cannot expect world stability until commerce and industry have leveled the false barriers erected by "politics." Only science and machines, which know no fanatical creeds or nationalistic dogmas, can make men one. In this sense, the NRA experiment of 1933 was not in vain. It helped to break the ground in making our people conscious of the fact that there must be a new relation between industry and the state.

Although many people, nations and governments are spoken of in this book, the author offers his criticisms and condemnations without malice.

I must especially pay my respects and grateful thanks for the invaluable assistance of Elizabeth L. Feldmann, who has given of her time and energies without stint in order to make the book possible. I am greatly indebted to Olive Brooks for her painstaking efforts, to Leonard Frank, who helped considerably in the preparation of the charts, and to Marguerite H. Mallory, who assisted in the preparation of the manuscript and in the correction of the proofs. Mark Jones, Edwin Lefevre, W. I. Mack, and many unnamed friends are remembered gratefully by the author for their aid and encouragement. To certain law clients, men like Fred A. Powdrell, I owe gratitude because of the interest they took. It is a good sign of the times when clients give encouragement to their attorney to devote some of his energies to matters which in the ultimate sense may be a bit more important than his day-to-day law work.

B. A. J.

165 Broadway,
New York,
April 1, 1936

THE COMMONWEALTH
OF INDUSTRY

CHAPTER I

THE AIM OF AN INDUSTRIAL CIVILIZATION

THE mind of man, weary of uncertainty, squalor, disease and hunger, searches constantly for a way to economic security. Human beings rebel at the continuous war with nature and life to eke out a mere existence, and the bitterness of the conflicts which this struggle has necessitated is out of all proportion to our desires. Idealism, adventure, discovery, love and service to others are attributes which men consider part of their spiritual birthright. But in the fierce struggle to tame nature and one another, these are subordinated and ruined. The paths to ease and order have frequently been pointed out to us by religious, political and economic leaders, and men honor the names of Plato, Aristotle, Christ, Bacon, Marx and Lenin, because in varied ways they have attempted to remedy fundamental wrongs.

Mankind has made progress in the solution of some of its political and economic problems, and before our eyes is the possibility of remedying remaining evils. We in the United States have come to regard political liberty as a commonplace of our existence. We have already fulfilled some of the dreams of political philosophers, and we are at present in a position to carry out the aspirations of men of spirit toward ease and abundance.

For the first time in history it is within our power to inaugurate an era of plenty. The frontiers of the world are settled, and vast machinery is developed for the exploitation of natural resources. The battle with nature has been won. The prevalent unrest in all classes of society is born of a realization by men that there is no longer any economic necessity for misery. With a coordinated plan and program it is more than likely that no one would have to contribute more than twenty to twenty-five hours' attendance on the power machine each week. This is no longer a Utopian promise but a sober estimate based on our knowledge of present resources and the potential accomplishment of a people mobilized for a dynamic purpose.

After Providence was more or less dethroned from man's economy, the baron was set up instead. During the era of feudal economy, men who were practically owned by other men produced for themselves

and their masters. After the barons were shorn of their power, that power was concentrated chiefly in the hands of the kings, as absolute rulers of the state. Men had also begun to produce more than they could consume locally or exchange by the primitive means of barter. During the seventeenth century the world began to develop by means of trading monopolies, such as the East India Company in England, sanctioned and controlled by the government. Previously the explorers and navigators had ripped the veil of terror from the waters of the earth and had found new land with rich resources in the Americas and the East.

During the eighteenth century men colonized the far-off places and developed their stakes in trade, and by the year 1800 they were about ready to begin the conquest of space, and the exploitation on a wide scale of the natural resources of the earth. In the effort to annihilate space men brought forth the steam engine, which in turn produced the steamship and the railroad engine. Simultaneously, men saw the opportunity to distribute products widely if they could be manufactured, and they invented as aids for manufacture the open-hearth process, the dynamo and the gasoline engine.

Men sometimes look upon the machines which they have created as ogres which displaced men and ruined their lives. But the machine, properly used, is man's means of liberation, his inanimate slave. It has produced an industrial civilization which has insured a higher standard of living to the masses of mankind than they have ever enjoyed before.¹

But, whatever its achievements may have been to date, the machine age has not yet begun to fulfill its promise. We are still victims of an economy of scarcity in which millions of people are unable to provide their families with the barest necessities. In the last hundred years, and especially in the last twenty, there has risen around us the framework of a building that houses machinery and undreamed-of power harnessed to that machinery. Haphazardly built, faulty in some respects, the structure has risen. It is a massive patchwork of steel, wood, glass and cardboard. The framework has cracked because of misplaced stresses and pressures. We have the formidable task of coordinating the parts of our machine economy as well as placing particular machinery in proper relation to other machines.

If we are to have a decent machine civilization, we must learn from the symmetry and coordination which are characteristic of the machine itself. In such a civilization every person becomes as important a consideration for creation or destruction as every gear, pin or bolt is in a machine. And it is not expecting too much to ask men to treat them-

¹ See Appendix for a Political Platform appropriate to a machine age, which summarizes the philosophy expressed in these pages.

selves and their fellows with as much consideration as they now bestow on the parts of their machinery. We lack only the direction, the organization and the common purpose.

Before we can set ourselves to the task of establishing an order under which we can realize the full benefits of the machine age, we must seek to understand not only the meaning of an industrial civilization, but the relationship which we as individuals bear to it. Every American, including those administering government, is a cog in the industrial machinery. The United States is "united" in the field of economics, which includes management, trade, labor, agriculture and the consumer, just as every American is a member of our political United States. But they are two separate and distinct entities as we shall see. When we think of ourselves as citizens of the United States, we think of ourselves as both masters and subjects, but we have been too much accustomed to think of ourselves as slaves of the economic order.

From now on it is essential to regard ourselves as economic free-men with the ability to create "a more perfect union," industrially speaking. We can set up a Commonwealth of Industry which will induce every American to feel that he is as much a citizen of organized industry as he is of political government. He will be as ready to make it serve him as to serve it. It took a bloody Civil War to make the states realize that political union was indivisible. For many years we have been waging an industrial civil war with disastrous results. And at last people show signs of realizing their industrial unity and the need for economic coordination. The codes established in industry by the National Industrial Recovery Act of 1933, in spite of the political ineptitude with which they were created, showed how far our people were willing to sink personal selfishness to establish a "more perfect union" in the industrial sphere.

Every man fervently desires to belong fully to the civilization which surrounds him, provided that civilization shows evidence of a responsibility for him. The fact of "belonging" to the body economic is important, because American industry is at the base of American civilization today. We no longer have strictly political problems, except insofar as our political and economic currents cross and shortcircuit both industry and government. Our struggle and problems are all economic, and not until a united industry in the United States succeeds in affording millions of wasted human beings the opportunity to work again and to live under a higher and higher standard of living, with confidence in their future security, can we feel that we are making real progress toward achieving happiness for the American people.

A famous thinker once said, "Democracy may be described as that frame of mind by virtue of which a people chooses to be collectively

fortunate rather than nationally formidable." No matter what political form the endeavor to be "collectively fortunate" may take, one thing is certain, and that is that politics cannot and never will be able to "run" industry. Politics may dominate, interfere with or regulate industry, but it is impotent to operate it. It is natural that this should be so, for politics, at best, is the science of government, and at worst, the art of obtaining personal or party power.

Industry, at best, is the science of production and distribution, and at worst, the craft of obtaining personal wealth and power. Industry must be self-governing, for any attempt to operate it by the tactics of politics has always resulted in disastrous waste in industry and corruption in government. When, for the purposes of personal or party aggrandizement, industrial plants are forced into the wrong relationship to efficiency of production and consumption, a great harm is done to a fine possibility. There should be no outside interference with the abundant production of necessary goods and their general distribution to the places and people requiring them. For that purpose, industry alone must control, and it must set up its control, not in the forms of political prestige, but in the forms of exact efficiency. The profits from its endeavors must be distributed where they are needed when they are needed.

Commerce is the greatest democratic force known to man. This despite the fact that the "progenitors" of our business men are the pirates, the adventurers, the soldiers of fortune, the "padrones," the conscienceless and remorseless sweaters of labor, even the slave trader and slave master. There is nothing which causes closer contact between men and offers greater opportunity for people to know and understand each other than trade. If we can eliminate the stress and tension of the industrial competitive era, we shall be on our way to the true industrial ideal: "from each according to his capacity to each according to his needs." Industrial democracy does not mean a levelling down of humanity, but an intelligent, just coordination of its economy.

Equality of income is not an essential. For thousands of years those whose superior craftsmanship gave them enduring satisfaction have ignored the petty fact that others have enjoyed more worldly remuneration. Pure scientists and fine artists, technicians and expert managers have not even bothered to notice that those who exploited their products have enjoyed great rewards, unless the exploiters have stolen the product without any return and thus kept its creator in dire want, as has frequently happened. Leonardo da Vinci never agitated against Lorenzo the Magnificent; Einstein does not envy Owen D. Young. Competent lawyers and capable surgeons do not worry because their clients and their patients may be richer than they are, unless they are

utterly unable to earn a living by their skill. There are vast numbers of people whose ambitions are limited to the satisfaction of their immediate needs, who are quite willing to permit others to be richer than themselves. They do want their necessities, their pleasures and above all security from future want.

In this world we require creators and administrators, and no one will suffer so long as every one profits. But before we can hope for industrial peace and industrial order, industry, by which we mean every economic endeavor of man, must be refashioned, so that its present emphasis on the tactics of war and the methods of competition is replaced by aims of cooperative coordination. Men and women must cease to think in terms of their own industry exclusively and must learn unconsciously to relate that industry to the whole economy.

The day will come when it will be considered as contemptible for one man to get the better of another in a business deal as it is today for a man to break into another's house. The government will then cease to badger industry, and industry will cease to try to take advantage of government. The interests of the purchaser will become as important in the eyes of the producer as his own; the interests of the laborer will become as important in the eyes of the employer as his own. The laborer himself will be turned from a disgruntled lamb into a powerful lion, and both lions, laborer and employer, will stand up together. They will lose nothing but their snarl.

In the course of our great technical development during the nineteenth century, industrial capitalism attempted to dominate the political state by every means in its power. Huge corporate monopolies developed themselves through ruthless tactics. As a result of their depredations state interference was demanded in order to safeguard the opportunities of smaller business men and of labor and the consumer. Before long, however, it was discovered that concentrated industrial groupings represented a natural growth, and that they constituted a national opportunity in an age of power production. Men who had previously raged against the "trusts" began to invest their savings in them. These savings were frequently dissipated in greedy over-expansion for the purpose of selling more stock, in corrupt political activities for the purpose of gaining more power, and in wasteful competitive struggles for the purpose of controlling world markets. But in the avaricious process of their own expansion the trusts, cartels and corporations of the world rapidly took to themselves the peoples of the earth and produced with them a plenty that required distribution on the widest possible scale.

In the course of exchanging their goods and services, men were

faced with the need to cooperate with or conquer one another. The habits of "civilization" had not caught up with the facts of civilization. The war of 1914-1918 was an attempt on the part of the economic forces of one part of the world to conquer those of another, and even the victors have tasted bitter fruits.

On a larger scale than any previous encounter that war was fought with the aid of machinery which industry had developed. Lloyd George has told in his *War Memoirs* how taken aback the Allied generals were when the perfection of German artillery machinery ruined their plans for the use of men in combat during the earliest days of the conflict, and how difficult it was for them to adjust their plans to a machine technique. Men no longer charged romantically at their enemies and tore at their throats; instead they lay miserably and fearfully, surrounded by mud and lice, and operated machines more deadly than their ancestors could ever have imagined. Personal encounters were confined to sporadic efforts to take over territory which the machine artillery had prepared for their conquest, and in those sporadic efforts they were mowed down by their enemies' "machine" guns. Since that conflict, it is said, man's ingenuity, which has developed such technological marvels in peaceful industry, has been busy with bombing planes, gases, light rays and artillery which will make the weapons of the last war museum pieces. This very technological perfection, so effective for industrial production, and so destructive when applied to war, makes it necessary for men to abandon the effort to promote commerce by force. Cooperation is forced on them by the ingenuity of their own machines, unless they wish to contemplate the horror of wiping out victor, vanquished and innocent bystander by virtue of the indiscriminate power of their ally—the machine.

Competition is equivalent on a local scale to conquest on a national scale. In the early years of our industrial development the political state was as eager to guarantee competitive privileges as it was to safeguard national sovereignty. But, just as national sovereignty is a limited advantage in the face of international economic forces, so competition is a definite obstacle in the way of industrial progress. Competition and conflict in industry are as old-fashioned as the buggy and buckboard in transportation.

A full realization of the interdependence in our present power age of banker, manager, foreman, technician, worker, salesman, investor and consumer has been brought home painfully by the recent world-wide depression in trade. Suffering during those years of depression has made clear that economically national boundaries are no protection from financial woes. Goods, produced and consumed, are the universal pene-

trators of nationalities and local prejudices, and when they cease to penetrate freely and profitably to all those who handle them in any way, every single individual involved in the process suffers a proportionate wrong and hardship. These hardships may not be felt at once by some sections of the world population, but eventually they reflect themselves in unsafe savings and unstable economy. The hardships in one part of the world relate themselves to the problems in another part of the world. One cannot jam goods down throats, as the Japanese and the Germans may have learned from the boycotts on their goods. One cannot persuade people without money to buy goods at any price, as price cutters have learned to their cost. The purchasing power helps determine both prosperity and happiness, and everyone who enjoys a brief profit at its expense soon suffers his retribution in seeing his profit turn to ashes and his security change to fear and panic.

The duty to permit no one to want for anything is not a philanthropic urge but an economic necessity. It is because people do not want enough to the extent of organized insistence upon getting their needs that the productive machine lies idle too much of the time. Production possibilities are almost limitless today, and consumption, broadly speaking, has always been limitless. In such an economic situation competition is often nothing more than a destructive hindrance of plenty. We have work to do for all and vast needs for all, so that no man should have to fear loss of position through the replacement of competitive chaos by industrial order.

Mankind still thinks like a poor man who has suddenly grown rich. It fears that it may have to save for a mythical rainy day, whereas it rains only because some people are so busily and craftily engaged in nothing but saving. We are killing men and women and children because we fear poverty in an age of such abundant power to produce as staggers the imagination. This is the golden age of production and the stone age of distribution.

Nicholas Murray Butler has said: "We are trying, in the age of electric light, to teach national economic progress with a candle." Our principles of economics have fallen far behind our technique of organization and our realization of the potentialities of the machine. If our courage to think keeps pace with our technological ability to produce, we shall be able to distribute prosperity as we have been able to make goods, by means of coordinated power.

When we learn how to use credit intelligently, the benefits to humanity will be found to surpass those accruing from the full and intelligent use of electricity. Lenin, when he became an "industrialist" and Russia embraced "mechanism," said: "Communism is Soviet power

plus electrification." We in America might well say: "Capitalism is individual enterprise and freedom plus credit." Credit is the mechanism by which it is possible to get a constant flow of purchasing power into the hands of all the people of the earth.

Ever since the depression in world trade became acute, statesmen and industrialists, editors and thinkers have stated that industry urgently requires fundamental changes. It is no longer the fanatical agitator who advocates alterations in "the system," but the conservative business man, the thoughtful lawyer and the political philosopher, who realize that the underlying trouble with the "system" is that it is not a system, but a haphazard competitive struggle, appallingly wasteful and inadequate to the present needs of mankind.

A famous English economist recently said: "We must civilize business, or, in the end, there will be nothing left of civilization itself." A "New Dealer," one of President Franklin D. Roosevelt's leading advisers, wrote concerning the National Industrial Recovery Act of 1933:

Our only choice is the manner of creating this essential government of industry. We have the mechanisms of political government. Whether they work well or ill, they could be used to govern industry. But if we would preserve the individual and his self-seeking for individual achievement and happiness, we must not resort to an exterior, imposed, political government of industry. We must find means of industrial self-government that will leave the individual economically free just as the institutions of self-government are designed to leave the individual politically free.

This was an eminently sound grasp of the problem, but, as we shall see, when it came to administration of the Recovery Act, neither Roosevelt nor those around him carried out the principles they expounded.

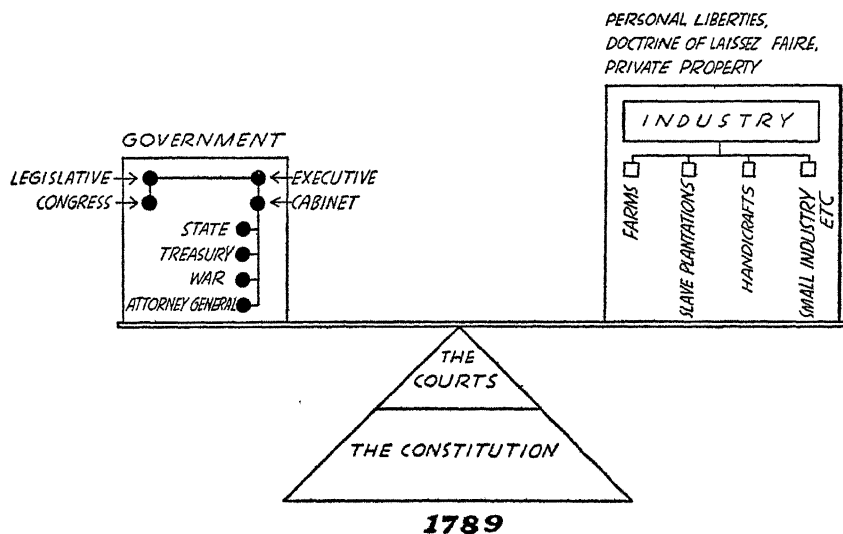
Another of President Roosevelt's close advisers has written:

A government made up as ours is, with the residual powers—upon which we must depend for control of industry, since no specific powers are granted to Washington in the instrument itself—vested in the States, must present especially difficult problems of a constitutional nature when industry overflows the State jurisdictions. This industry has done. The State cannot control it; the nation is not permitted to do so. Such a situation is ideally suited to the defensive purposes of those who want nothing done.

This is a clear realization of the limits of the Federal government's power over industry, but the Federal government during the first two years of the administration of the National Industrial Recovery Act did not act on such a clear realization of its limits. It took the

Supreme Court decision in the *Schechter* case in May, 1935, to bring the national government up sharp. That decision called a halt to all the haphazard government experiments with the industrial economy and forced the government to some extent back to the realm of political administration, where it belonged.

Humanity and the American people, especially in 1776, had learned all the lessons there were to learn about the power, rapacity and greed of "government." The Americans of that day wrote a Constitution which insofar as it could be expressed in words showed where the power of government began and where it ended. They set up a structure of government known as one of checks and balances by which the three departments of government checked and balanced each other. There was still an instrumentality missing which would make the Constitution a dynamic and living thing at all times, and men like John Marshall and Roger B. Taney, Justices of the United States Supreme Court, succeeded in establishing the Supreme Court as the final arbiter and the mechanism by which the Constitution could be kept abreast of the times.²



1789

CHART A

The United States in 1789

So far that tribunal has been most successful in preserving and protecting for the American people the basic liberties for which every American is willing to lay down his life if necessary. The Supreme

² See frontispiece for Chart D and also charts in Chapter VII. See also explanatory footnote page 68.

Court of the United States was made the custodian of our liberties. Thus far it has remained true to its trust, and there is every reason to believe that if its integrity is defended by our people it will remain true. The words of Woodrow Wilson may be appropriate here :

Our courts are the balance-wheel of our whole constitutional system; and ours is the only constitutional system so balanced and controlled. Other constitutional systems lack complete poise and certainty of operation because they lack the support and interpretation of authoritative, indisputable courts of law. . . . That forum our courts supply. There the individual may assert his rights; there the government must accept definition of its authority. There the individual may challenge the legality of governmental action and have it judged by the test of fundamental principles, and that test the government must abide; there the government can check the too aggressive self-assertion of the individual and establish its power upon lines which all can comprehend and heed. The constitutional powers of the courts constitute the ultimate safeguard alike of individual privilege and of governmental prerogative.

The Supreme Court decision in the *Schechter* case gave industry the opportunity and the burden of solving its own serious problems. The fight is drawn between the defensive forces of bewildered impotence and the offensive forces of creative alteration. Those who wish to do nothing are in a small minority. The fight may be said to be between the advocates of violent change and the advocates of constructive "programming."

Armed with the religious dogmas of Karl Marx, the Communists insist that nothing can be gained without violent overthrow of the entire political and economic structure so painfully erected by mankind over a period of centuries. Communism is not so much an economic philosophy as it is a challenge to a violent duel. Karl Marx tilted at the windmills of his powerful economic imagination, when he evolved his melodramatic myth, the class struggle, which assumes that necessarily every employer is turned against his employee and *vice versa*.

Marx assumed that only the proletariat was capable of solidarity and of organization. He presumed that capital was so insistently competitive that it could only succeed in eliminating itself in competitive strife. But the proletariat is also subject to ruthless competition, and when jobs are scarce, men fight one another for them more savagely than business men fight for declining trade opportunities.

In their less emotional moments, some of the Marxists seem to realize the possibility that they may be begging the question. In *The Nature of Capitalist Crisis* John Strachey wrote :

If we come to the conclusion that catastrophic crises are accidental to capitalism, then we shall certainly work for their gradual elimination by appropriate reforms. For who would be so mad as to recommend the scrapping of the system itself if the catastrophes which it is bringing upon us were remediable? If it were possible so to reform capitalism that it would provide us with an epoch of peaceful, steady, even if gradual, social progress, then none but those who objected to the system upon ethical grounds would work for its abolition. And even they, no doubt, would seek its abolition as the result of a series of cumulative reforms.

Mr. Strachey and his fellow Marxists always assume that catastrophic crises are inevitable, just as many people assume that terror is inevitable to Communism. The Communists always retort that terror is necessary only while there are still class enemies. Those who believe in the value of capitalism can in turn retort that catastrophic crises are prevalent only when industry lacks its necessary forms of order and self-government.

Those who believe crisis to be avoidable in capitalism have a far more difficult task than that which confronts the Communists. The Communists have only to attain political power. "We," wrote John Maynard Keynes, "have to invent new wisdom for a new age. And in the meantime we must, if we are to do any good, appear unorthodox, troublesome, dangerous, disobedient to them that begat us." And Mr. Keynes also remarked: "If irreligious Capitalism is ultimately to defeat religious Communism, it is not enough that it should be economically more efficient—it must be many times as efficient." Even if Communism should soon prevail throughout the world, the problem of avoiding catastrophic crises will still be present with mankind. For Communism, a political philosophy, is impotent to provide worldwide industrial order based on precepts of economic science. Industry has never yet been managed efficiently by principles of politics, and there is little indication that the Communists will be able to do better than other emotional politicians.

In order to insure a full use of our machines, and to avoid catastrophic crises, industry will have to inaugurate a new agency of self-government. The problems of the United States and of Western Europe are those of distribution of their vast production of goods and services. We have now built up our machinery and know how to improve and to perfect it, but we are in urgent need of agencies for its efficient control.

Industry must learn to control and regulate itself, while Congress and the legislatures, the law-making bodies of the state, and the courts, the law-interpreting bodies of the state, act as aids and umpires instead of as executioners and policemen. Industry requires the help of the

state in the effort to organize our economy, but it cannot expect the state to take over its problems and solve them for it. Nor can it demand of the state special favors. In its turn the state cannot expect to operate industry by rigid political edicts laid down by men who are not experienced in the vast complex network which they are endeavoring to rule.

Leo Hausleiter, a German author who, in his book, *The Machine Unchained*, urged an economic plan for his country, wrote: "This 'controlled industry' is different from state industry managed under a system of compulsion. The structure of such a national economic system does not conceal a mechanized people behind a screen of desolate 'objectivity'; it takes form like a Gothic cathedral in aspiring freedom and adaptation to the bonds of necessity." Captain Harold Macmillan, an English publicist, who evolved a plan for his nation, wrote of the present situation: "It might almost be said that our economic system is ruled by three Governments who refuse to recognize each other's existence. (Finance, Politics and Industry.)"

We in America had a form of economic planning during the war, when we established the War Industries Board. The peace-time form of planned efficiency to realize the aims of our industrial civilization is not a sentimental plea, but a pragmatic effort to attain a sound ideal. It should take the form of an autonomous Commonwealth of Industry, subdivided, so that it provides representation for all the forms of production, distribution and consumption. It should include the use of trade associations, trade unions, agricultural associations, financial associations, consumers' leagues and other existing groups. These would develop a national economic board to plan and to control the economic life of the nation. That body, in turn, could then treat with similar economic boards in other nations, for the purpose of controlling the economic life of the world.

In order to safeguard our economic rights and realize our economic opportunities, a "constitution" of industry should be drawn up by a "constitutional" convention of industrial leaders, labor leaders, agricultural experts and financial specialists. This convention should prepare the way for submission to the courts of agreements in the public interest entitling industry to the rights of self-government and self-regulation.

Industrial self-government involves acceptance of social responsibility in order to be within the law, and this responsibility may be summed up in the following broad ultimate obligations:

1. To guarantee employment at fair wages for the employable population.

2. To assure economic justice to everyone in the economic process by agreements not to sell goods and services at less than a price that will yield a fair return.

3. To guarantee for the whole population sufficient credit, available both to the producer and to the consumer, to keep purchasing power in line with the production of a modicum of the useful things for life.

4. To set aside a substantial percentage of the profits of industry to be distributed among the workers in industry, so that the purchasing power of industry may be constantly increasing, and employees may have capital to repay credit advances.

5. To set up research bodies for the purpose of continually improving products and reducing costs.

Industry should set up a plan and program to promote an ever higher standard of living. This, in effect, means setting up a master goal for all industry for a given period or periods, as well as goals for individual industries and units of industries.

Industry can assure to government the taxes necessary to operate the country, if government will recognize industry's right to self-government and a profit on its endeavors. The government, in co-operation with industry, would thus have to support only the unemployable population instead of vast numbers of unemployed. This plan is developed and discussed in detail in Chapter VI, also in Chapter VII wherein charts show our proposed Commonwealth of Industry.

A plan of this type will recognize the natural requirements of all divisions of the industrial process. It will separate the policies of civil government from the economic needs of the nation, without vitiating the political government's ability to aid in the satisfaction of those needs. Industry will gain a dominant voice in the formulation of the economic policy of the nation, which is obviously within its province. At the same time industry will work hand in hand with the government in the service of the population. In return the government will be relieved of the burden of providing permanent relief for the unemployed employables, a function with which the government should not be compelled to deal. Only in cases of war, flood, earthquake and similar disasters should the political state have to use the resources of the community to feed the population, and then only temporarily. The Commonwealth of Industry must be prepared to care for the employable population and its dependents completely and continuously.

Thus far the American people have been able to express themselves only negatively on the fundamental problems of their lives, the economic problems. Under forms of industrial self-government the people

will be enabled to express themselves on these fundamental problems without going through government red-tape, and they will be able to do so not one day a year at election time, but every day in the year. Government's place in our economic scheme is far away from our economic efforts, and a Commonwealth of Industry will enable us to exercise economic judgments on economic matters without adulterating those judgments with political considerations.

In return for its efforts to fulfill all of its social obligations under self-governing forms, industry must be considered by government as enjoying a natural right to a fair return. Our economy has shifted from a condition in which it was of paramount importance to the national welfare that the buyers' interest be protected to one in which it is of at least equal importance that the sellers' interest be safeguarded. For the first time in history civilization has attained the power to produce goods on a large scale, in sufficient quantity to supply the needs of the world population at constantly decreasing prices. By the very nature of mass production the machine, with its gift of abundance, creates what we have hitherto thought of as a buyers' market, that is, a condition of plentiful products at cheap prices.

We must now find methods of protecting the producers and distributors—including labor—by assuring them of a profit for their labor and their ingenuity. Everyone must sell something if he is to enjoy the ability to buy anything at any price, high or low. If a man lives on income, he sells credit; if he works for salary or wages, he sells personal effort; many wage earners have arrived at the point of financial standing where they sell both. We need protection for a fair return for products and services far more than we need protection against high prices. The consumer can be protected against high prices by the very abundance which we can automatically produce. The required protection is now against prices which are too low to yield a profit and not against prices which are too high to command a market.

An economy of abundance can be accomplished if each owner of goods or labor power is assured of getting a consistently higher return for those goods and that power, even though the actual price of goods may decrease in the process. A balance can and must be worked out between producer and consumer; if either is favored, the producer should have the benefit, for it is far more beneficial that wages and income should rise and be widely distributed, thus producing greater security and purchasing power, than that prices should fall and create loss. It is obvious that buying power cannot continue unless production is profitable. Profit thus becomes a social necessity, and not a

tool of oppression and exploitation, as we have been led to believe by the deluded exponents of an eternal class struggle.

The Russian Communist government is teaching its people that the machine will set them free, while at the same time it is enslaving them to the government machine. We in the United States are still working for our machines as slaves, but we are also still insisting that we will not become the political and economic slaves of a dictatorship and its bureaucracy. The Supreme Court by its decision in the Schechter case made clear that under our Constitution the political bureaucracy cannot control industry, and we have not yet decided to forego the advantages of civil liberty guaranteed by our Constitution, for the purposes of bureaucratic dictatorship.

We are a prey to constant economic insecurity, because our use of the machine lacks central control. Communism insists that such control must come through the domination of the individual by the political state. It is the task of American industry, which has developed such great technological efficiency, to demonstrate not only that central control is possible outside the political state, but also that it is possible only by means of forms of industrial self-government.

CHAPTER II

THE SEPARATION OF INDUSTRY AND THE STATE

TO EXTRICATE ourselves from the present economic impasse, and to achieve security, we in this country can choose one of three roads. We can attempt the return to so-called *laissez faire* capitalism, which, even before the recent depression, was beginning to produce only "profitless prosperity," when men had the illusion of plenty because they were active, but when actually few organizations were making real profits and many individuals were already unemployed. We can go further along the lines of government bureaucracy, which, if carried to its ultimate conclusion, will lead to a system of regimentation not unlike Fascism. Or, third, we can set up an intelligent relation between industry and government, based on the separation of powers, and dedicated to the task of establishing new standards of living for all, the state and industry both working as a team to realize this end.

Laissez faire with "profitless prosperity" was "tried" under the recent Republican administrations; it failed to produce security and led to want and panic. Bureaucratic control has been tried by the recent Democratic administration, and it has resulted in lack of confidence on the part of industry, much usurpation of power and red tape on the part of government, antagonism on the part of labor, dissatisfaction on the part of the small business man, and insecurity for all. The only alternative left is creative cooperation within industry and with the state. That is the only American way to realize the promise of our machine age.

The people of the United States, though careful to establish and to preserve their political liberties, have neglected the more difficult task of creating the proper relationship between economic and political life. That new relationship calls for a separation of the state, the guarantor of our individual liberty, from industry, the guarantor of our collective prosperity. The one has been continuously hampering the other for many years. Industrialists and financiers, with their vested interests in wealth and power, have made great efforts to

debauch the state, and politicians and government officials, with their vested interests in power and jobs, have made continuous efforts to debauch industry.

Industry, that combination of manufacture, agriculture, labor, finance and consumption, is a structure more complex than any political state. But it has no laws or government of its own. Regulations have been imposed upon it from without instead of being developed from within the complicated structure. On the other hand, the "democratic" political state is, paradoxical as it may seem, a closed corporation, highly organized for partisan purposes. The responsibility of the political state to its shareholders, the citizens, is remote, and except in times of great economic distress and emotional reaction to that distress, the shareholders rarely register an effective protest. They cannot control the directors and clerks who operate the political machinery. Industry, on the larger issues, also has at present no proper means for assuring responsibility of its directors and managers to its constituents, investors and consumers. We are thus living in a political bureaucracy, based on an anarchical industry, and it is no wonder that we tremble for our safety and our security. The power and freedom of opinion is what really helps to protect us and our institutions.

Frequently the only laws which have been imposed on industry have been merely attempts to punish sins, instead of efforts to create order, and often they have been merely spite statutes, by which politicians hoped to gain some personal or party advantage. Politics in the United States has for its guiding principle, theoretically, the subordination of state power to the liberty of the citizens. Dominance and subservience are not considered healthy or conducive to human progress in the relationship between the citizens and the nation. Economics requires the same care for its health and progress and the same lack of domination or tyranny.

The survival of the fittest is a principle applicable only to jungle life, and it cannot be used in a city like New York, in the cotton fields of the South, or the wheat belt of the West. During the first stages of industrial development it appeared necessary to entrust industry to uncontrolled, individual initiative, so that great scope for growth might be permitted to new economic organisms. In the late eighteenth and the early nineteenth centuries, when the machine and the factory were beginning their career, there were practically no industrial rules or laws. Manufacturers fought bitterly against any efforts on the part of government to control hours and wages, and they

worked men, women and children incredible hours under ghastly conditions.¹

The modern problem of the separation of industry and the state has its parallel in the medieval problem of the separation of church and state. At the time of the Renaissance modern methods of study and thought were beginning to replace ignorance and superstition. The progress of both the church and the state was impeded by the clerical domination of the lay world. The state could not prosper since the leaders of the church then, like some leaders today, felt certain that people could not be trusted to govern themselves. Furthermore, they had a vested interest in the power and wealth which their position gave them. It seemed to the church that people had no judgment, no understanding, no policy and no program, and were only fit to be governed by bureaucratic religious principles, supposedly inspired by an omnipotent God. The struggle to liberate man from the dictates of the clergy was a long one. After it was won, it was possible for men to enjoy just as much respect for their God, even though they refused to be governed in their material relationships by his self-appointed deputies.

The separation of industry and the state can foster political order and material prosperity. Politicians and many political philosophers now think that industry cannot be trusted to govern itself, just as priests and theologians used to believe that politicians and political philosophers could not devise proper means of self-government. But we can get along much better without the politician in industry, just as we have been getting along much better without the priest in politics. Man's real respect for law and for government will increase after the separation of industry from the state, just as the church itself prospered and man's real respect for God and ethics increased rather than diminished after the separation of church and state. Politicians are likely to pay more attention to good government after the temptations are removed to favor industry illegally or to interfere with it unduly.

The separation of industry and the state is necessary if we are to realize the practical dreams of Aristotle, Plato and Bacon. These early philosophers reared their societies on a structure which differentiated widely between the inherent rights of men. Plato, whose Republic has been a source of inspiration for social idealists, could not envision society without a class of plebeians whose sole duty and activity was to slave for the commonwealth. Aristotle also presupposed the need for a slave class to do the necessary work of a community. Bacon

¹ For detailed accounts of the unregulated greed of the early manufacturers see *The Town Labourer* by J. L. and Barbara Hammond; *Condition of the Working Class in England in 1844* by Friedrich Engels.

believed in an aristocratic society in which serfs would perform menial tasks for a bare living. It was natural that the early philosophers should think in terms of slaves and aristocrats, for during their lifetime the machine was undeveloped, and the arduous work of production was performed largely by the bodies of men. Therefore, it was necessary to insure a regular supply of slaves, and in order to keep men in the laboring class, it seemed important that they should be political slaves of a better trained group who would be aristocrats and governors. It never occurred to Aristotle and Plato that the slave could be liberated, because during their era in history, before the machine had taken over much of the manual labor of the world, the slave could not be liberated. In his *Politics* Aristotle wrote:

For supposing that every instrument could obey a person's orders or anticipate his wishes and so fulfill its proper function like the legendary figures of Daedalus or the tripods of Hephaestus which, if we may believe the poet,

"Entered self-moved the conclave of the Gods,"

suppose, I say, that in like manner combs were in the habit of combing and quills of playing the cithern of themselves, master-craftsmen would have no need of assistants nor masters of slaves.

What seemed to Aristotle the legendary dream of a poet has become the commonplace reality of every-day life. If Aristotle could have stepped from a textile factory into his motor car and then gone home and turned on the radio, he might not have been entirely pleased with the results, but he certainly would have realized that it was no longer necessary for men to make slaves of other men, when they were able to make slaves of inanimate materials.

The first important industrial philosopher to appear on the horizon of thought grew up almost simultaneously with the machine. Karl Marx was born on May 5, 1818, and died on March 14, 1883. The industrial age began about two decades before his birth, and industry had grown into adolescent pugnacity at about the time of Marx's death. It was inevitable that Marx should have regarded the industrial battle going on around him with the same emotions as a primitive thinker would have regarded the biological struggle going on in the jungle surrounding him. Marx pointed out that the economic spiral was moving us into a sphere of management and control of the machine, which would then be dedicated to the social good. But Marx could see the managers of the machine only in terms of kings, robber-barons, pirates and oppressors of men. And it was as inevitable that Marx should regard the industrial barons as predatory beasts as that Aristotle should regard the workers as slaves, for in Marx's day in-

dustrial leaders bared their fangs brazenly as they fought competitive battles with their rivals and with their laborers. They themselves did not see machinery as The Machine, which could provide economic security and abundance. It was not until after the World War of 1914-1918 that it dawned on the people of industrial nations that the next stage in world economy was a dedication of the machine to the satisfaction of the needs and requirements of the people as a whole.

The early machine lords regarded machines as excellent devices for the accumulation of personal profit. The use of the machine had not yet developed to the point where it had found its destiny,—serving the people. The early industrialists placed their spiritual confidence in the benefits of the hereafter, while they made the most of their personal opportunities in this wicked world. It remained for Karl Marx, an isolated thinker, who spent his days in the British Museum, and his partner, Friedrich Engels, who spent his days in his father's textile factory in Manchester, to envisage the course of industrial progress. Marx pointed out that the world was moving toward a "planned economy." But he could not believe that it would do so by any other road than that of violent social revolution, in the course of which the proletariat of the world would take over the machinery and operate it for the common good.

The political states of our time exhausted themselves and our economy in the violent war of 1914-1918. That war gave Lenin, Marx's theoretical follower, practical control of the vast Russian state. Lenin and his colleagues, after they had consolidated their power, took up the task of making the machine fulfill its obligations to the economic needs of the entire population. In that effort they used the strongest form of political domination, backed by military force. They were determined to capture for the Russian people the benefits of machine industry, even if they killed it in the attempt. The other nations of the world looked on with hostility and waited for a collapse of Soviet Russia.

The Russian disciples of Marx gave great impetus to thought in terms of the machine's potentialities to satisfy all of the economic needs of a people and a light dawned on them; they began to learn things from capitalist countries. In Italy and Germany other groups have since attempted economic control by the faulty and tyrannical means of state domination. Still other nations, including the United States, Great Britain and France, realized gradually that if they were to show up the Russian, Italian and German authoritarian and totalitarian ideals as wrong, they, too, must organize and plan their economy. Today we are in the initial stages of that organization and planning. If we separate our organization and planning from the state, we are

right. If we do not, then we are as wrong as those dictatorships we call "alien."

Communism, Fascism and Nazism have won power at the price of the destruction of all civil rights and all individual liberty. Those in the United States who have a nostalgia for a past which cannot and should not return have used the destruction of individual liberty in Europe to warn their fellow-citizens against any attempt to organize our own economy. They make the assumption that economic control is synonymous with dictatorship and tyranny. But they ignore the fact that dictatorships now exist only in those countries where liberal thought and democratic self-government have been non-existent or relatively weak. Russia and Germany were autocratic states before the war. Russia had traditions of autocratic oppression, and Germany of authoritarian domination. Italy had attained national unity but a comparatively short time before the war.

The American problem is relatively simple. We started our nation on principles of individual liberty and political freedom. We built up our industrial machine rapidly by individual initiative. Today we are ready to give industry order, form and status, as we have given our political state order, form and status. And in doing so we must not permit the Industrial Commonwealth to encroach on the political state nor the political state to wreck the efficiency of industry. Any plan, to be acceptable, must, however, be in keeping with our system of democracy, which, in the words of a famous educator, "is the only form of government now prevalent which encourages new frontiers of thought."

At present the government is encroaching on the province of banking, manufacture, agriculture and transportation, among other things. It is attempting to dominate both the small business man and the large corporation. It lends money, engages in competitive enterprises with industry, and subsidizes agriculture, shipping, the railroads and banking. In the process of domination, control and aid, the government has weakened confidence in itself and in its citizens, destroyed initiative and assumed overwhelming burdens of debt for the present and future generations to pay, burdens which a government-controlled industry cannot pay.

One need only study the history of the Interstate Commerce Commission to realize the futility of government regulation in what it does to service, to the management, to the investor and to the worker. The exercise of power without responsibility by the commission has made of management a mere puppet or worse, has destroyed enterprise and initiative, has impoverished investors and has more or less frozen the

status of most employees. What progress has been made in railroading has been in spite of the commission. The history of the NRA control and regulation of industry under Franklin D. Roosevelt would have been the same with respect to industry generally if it had continued.

The government, when attempting to control industry, is itself operated and controlled by hundreds of thousands of people who are interested primarily in obtaining their jobs and in personal advancement in those jobs. Advancement in government is not obtained as a result of efficiency and ability so much as it is obtained by the process of gaining political strength for party candidates and party leaders at election time and by the use of political influence after election time. The average political jobholder has less social sense than the average business man. Men soon learn to distrust the business man who cheats or shirks, and he often ends in bankruptcy. But the only way to get rid of the average bureaucratic political worker is by substituting for him another like him, after a bombardment of his party with millions of ballots. The leaders of these millions of self-seeking men are usually graduates from the ranks, who have fought their way up by a variety of means. The political leaders in turn try to put men whom they can cajole or dominate into the more important public offices. The government payroll cannot be permitted to increase constantly without good economic reason just because political administrations find this the simplest way of increasing their retainers and professional vote-getters.

Our Presidents of the United States have sometimes been men who have permitted their political advisers to dictate stand-pat policies or to lead them in opposite directions at the same time. It is necessary for Presidents as well as other officeholders to think of the reelection of themselves and their party, and such a concern puts a heavy strain on cold courage and unyielding integrity. Our Congressmen have usually been men who have permitted party bosses to dictate how they should vote, and whose lack of experience in any but the oratorical affairs of life has made it impossible for them to formulate properly any ideals they may chance to possess. With the assumption of his seat in Congress or in the legislatures of the states, this type of politician automatically becomes a factor for destruction in our present form of political and economic administration.

Congressmen and state legislators have rarely managed a large farm, a large corporation, or a large factory. They have more often been orators with demagogical gifts or lawyers with narrow vision. Nevertheless, their views on the most complicated problems of industry, finance, war and law are published as important. Often those views are formulated for them by the lobbyists of selfish interests or the

lobbyists of pressure organizations. Back of the legislators are organized and disorganized constituents, who want special privileges or political appointments and favors. It is only when taxes and the hampering interference of politics begin to affect the economic life of the nation seriously that the citizens shout for their rights and demand that government keep out of economics.

We are all too familiar with what takes place when politicians go before the electorate and ask for a solemn mandate to keep their jobs. Their appeal—to the lowest common denominator—is in most cases similar to the appeal which manufacturers of motion pictures cynically make in order to assure their profit. The average political campaign, like the average motion-picture drama, is an appeal to sentiment, emotion and prejudice rather than an appeal to intelligence, reason and understanding. The hero of Franklin D. Roosevelt's campaign was "The Forgotten Man," and the hero of Herbert Hoover's was the chicken which was supposed to be reposing in every pot. Neither of these statesmen after he became President was able to do anything about the subject of his slogan, because the Forgotten Man cannot be guaranteed a living by the government, and the chicken cannot be placed in every pot by the government. Industry alone can guarantee that no man shall be forgotten, and industry alone can fill every pot.

In the past our governmental principle has been that that government is best which governs least. This was meant to apply directly to the relationship between the government and our economic welfare. In the realm of civil liberty this Jeffersonian principle has been applied successfully and maintained regularly. But we have not been so careful to preserve our economic liberties while insuring our economic welfare. We depended upon unrestricted competition to adjust the economic forces of our life and to bring about a proper alignment between citizens. We have been working chaotically and at cross purposes for our individual welfare, while the state has stepped in only in the negative or busybody rôle of a policeman when the battle has become too fierce.

Having built up our machine industry, we are now coming to a realization that cooperation is no longer a moral ideal but a physical necessity. The depression has taught us that cooperation within industry and between industries is the only thing that can preserve the buying power necessary to continue the development of our industrial civilization. If the depression of the nineteen thirties is succeeded by a period of prosperity during which no effort is made toward cooperation within industry and separation of it from the state, it is obvious that

the conditions which follow such a period of careless unplanned business activity will be succeeded by a depression worse than any we have ever had.

Thus far we have for the most part entrusted the task of creating cooperation to blunt political instruments, which can merely attempt ineptly to impose it upon industry. Such cooperation can be created, nourished and brought to fruition only within industry itself. Experience during the World War taught us that millions of citizens can work together wholeheartedly and can achieve success in various and complicated endeavors. It must be remembered that this was done largely under the direction of dollar-a-year business men. When we learn, as we shall, to think of industrial effort as a necessary creative war on poverty, far exceeding in importance and in gains any destructive wars on nations, we shall then learn to cooperate for its successful prosecution.

No one, however, has yet supplied a philosophy for industry and a program for carrying that philosophy into effect. This we hope to supply in this book. Such bodies as the Chamber of Commerce of the United States and the National Association of Manufacturers, which might be useful and vital for the coordination of industry into a self-governing body, have indicated most unfortunately that they possess nothing but a hopeless reverence for a past which can never return. They have pandered to the outmoded whims and prejudices of the so-called "practical" business man; they have kept alive the outworn antagonism between capital and labor, and they have attempted to brand as "radical" and "dangerous" whatever they have feared might interfere with the immediate aims of special interests.² It is not too late yet for these bodies to adopt a philosophy and a program. One industrial leader with the social and humanitarian vision of Franklin D. Roosevelt could justify the claim of industry to separation from the state. Working with the technique of industrial organization rather than political tactics, such a leader would have the power to crystallize the groping thought among the people and start us in the right direction. But we cannot wait for such a major prophet to emerge. He may not come until thousands of minor prophets have prepared the way. The genius of our age is the mass genius of many minds.

In the industrial world we are at present in a position parallel with that of the thirteen colonies under the Articles of Confederation. Industry requires its constitution, "in order to form a more perfect Union" within industry, and in order to establish justice within

² See *Business and the Public Interest* by the author for more detailed discussion.

industry, insure domestic tranquillity, provide for the common defense, promote the general welfare, and secure the blessings of prosperity.

The political government in its relation toward industry stands somewhat in the position of Great Britain toward her thirteen colonies. It has not yet granted industry freedom, but as the state is the servant of the people today instead of the master of industry, it is not likely that we shall have to fight a war for industrial freedom. Industry must merely formulate its constitution and declare its independence of the state. By coordinating its strength, industry can demonstrate to the entire population the worth of union. Just as the "Federalist" papers were written to persuade the early Americans to accept the Constitution and the principles of a federated democratic state, so industrial leaders of vision and ability will have to write a new industrial Federalist for the business man, in order to make him see that he is gaining more than he is giving up by forming a more perfect union in industry. Business men now live in fear of the state, just as laymen formerly lived in fear of excommunication from the church, but they must learn self-reliance, and that they have liberties and rights within the industrial structure.

The cost of our loose structure of industry today and of governmental interference with it is colossal. As a result of the lack of coordination and lack of plan we have dissipated half of our national wealth in not much more than a decade. In 1920 the national wealth of the United States was 488.7 billions of dollars, and in 1932 that figure had declined to 247.3 billions. The depression has put our wealth back to 1916. Meanwhile, industry has been paralyzed by fear of the state and hesitates to unify itself in order to stop this drain of its wealth.

The cry to the worker has been, "Unite—You Have Nothing to Lose but Your Chains." The words might well be addressed to the business man, the farmer, the banker and the worker. United in a government of industry dedicated to the public interest and separated from the political state, all branches of our economy have nothing to lose but their chains, their economic insecurity and the danger of a political and economic dictatorship.

CHAPTER III

A WORKING PHILOSOPHY FOR BUSINESS: POWER WITH RESPONSIBILITY

IT WOULD be both unfair and inaccurate to give the impression that government is a menacing wolf and industry an innocent and defenseless Little Red Riding Hood. Indeed, we cannot overlook the reasons why government has succeeded in getting its hold on the economy of the nation. Some business men assume too readily that industry was going along prosperously and happily, with malice toward none and justice for all, and that government stepped in wickedly and annoyed it. They are inclined to forget that almost as often as politicians have attempted to interfere with industry for their selfish interests, industrialists have attempted to interfere with government for their predatory purposes.

Not long after the foundation of the republic the dual relation between government and industry began. Appeals to the government for aid and privileges also began. As early as 1814 John Taylor of Caroline, Senator from Virginia, wrote: "There are two modes of invading private property; the first, by which the poor plunder the rich, is sudden and violent; the second, by which the rich plunder the poor, is slow and legal."

When George Washington took office as first President of the United States, one of the great issues which agitated the financial and commercial community was the advisability of establishing the Bank of the United States. Jefferson and Madison were urging Washington to veto the bank bill, while Hamilton was urging him to sign it. When it looked for a time as if President Washington might veto the bank bill, the pressure of the infant finance of the country was brought to bear, and bitter denunciations of George Washington were circulated in the paid press and in the counting-houses and coffee-houses of New York, Philadelphia and Boston. Washington, who was accustomed to abuse by his fellow-citizens, slowly made up his mind that the establishment of a national bank under private control would be a good thing for the country, and he signed the bill.

Early speculators used the government in their business when they worked for the refunding of the Revolutionary War debts, a refund-

ing which Alexander Hamilton planned in order to establish the credit of the new nation. Wily speculators had bought up the obligations of the new republic for next to nothing, and they brought to bear all the political pressure and propaganda force they could command in order to persuade the new government to permit them their profits. In fact, the New England states, at the instance of their speculators, even threatened secession if the new Federal government refused to honor these obligations.

The allotment of the vast tracts of land under the government's control offered great opportunities for early speculators. They used politicians in the effort to get the public domain into their private land companies' hands, and working agreements between politicians and land gamblers were one of the earliest forms of cooperation in corruption in the United States. The development of the railroads offered another opportunity for the corrupt alliance between business men and politicians. Speculators influenced the government to grant them huge tracts of land as inducements to build railroads, and they did not hesitate to bribe Senators and Representatives whenever possible. The letters of Collis P. Huntington concerning his private purchase of politicians and the testimony taken before Congress concerning the *Crédit Mobilier* scandal are filled with instances of the abuse of government by private property interests.

While some groups were making every effort to induce Congressmen to grant them railroad favors, others were using the same pressure tactics and bribery to influence tariff legislation. There was scarcely a tariff of the United States which was not written with the cooperation of paid lobbyists for special interests. Joseph R. Grundy, of Pennsylvania, who spent his time writing tariff planks in the interests of those who had given him campaign funds for the Republican party, was not the only one of his kind. He testified that he had been doing that kind of work for years, and that his father had done it before him.

As much as it would like to be let alone, and as much as it ought to be let alone, industry must realize that it can never be worthy of self-government until it learns to give up "bribery" and chicanery of all kinds and degrees. Industry as a whole has not indulged in "bribery" and piracy, but industrial special interests have often attempted to attain their ends by the easiest means. Industry is entitled by law to certain inalienable rights, guaranteed to it by the Constitution and our political traditions. If those rights are not sufficient for healthy industrial growth in the public interest, industry has a perfect right to organize in order to express its concerted opinion, and industry also has

the right to issue educational propaganda for the dissemination of that opinion. But industry has not the right to debauch itself and politics by demanding value received for campaign contributions or "bribes."

It is fair to say that during the last fifty years it has been the professional politician who, by his attempts to enact, and by his enactment of, legislation to direct industry to a larger social end, has been forcing business men to do some social thinking of their own. Industry has no right to give up social thinking and planning to anyone else. These are consistent with "private profits."

As soon as the industrialists of the United States cease to demand favors of the government, they will be in a position to set up proper machinery for the assurance of their own rights and privileges. At present politics preys on business, and business preys on politics. We require a divorce that is complete on both sides, so that statesmen can attend strictly to laws required to safeguard the public interest, and industry can attend to the solution of the vast economic problems with which it is confronted. The organization of an Industrial Commonwealth presupposes that industry will keep out of politics as much as it presupposes that politics will keep out of industry.

The problem of party campaign funds is involved in the practical relation of industry and politics. Early in our history the government of the United States adopted the position that political parties were private organizations. There were certain offices in the government service to be filled by election and certain offices to be filled by appointment. The elections themselves were to be held under certain official conditions, but the machinery for the presentation of candidates for office was left entirely in private hands. Theoretically, anyone has the right to run for office in the United States, so long as he can get enough persons to petition to have his name on the ballots of the citizens. But, actually, no one can hope to gain office in the United States unless he has the support of one of the two major parties which provide the practical machinery for expressing the popular will. The funds for that expensive machinery are raised by voluntary contribution and by assessment on officeholders and business men, who have the right to refuse, but who often may find it embarrassing to do so. This sets up a system of virtual blackmail, which is sometimes mild and sometimes oppressive.

Other units in industry besides corporations and individual business men bring pressure to bear on politics and government administration. Organized labor and organized agriculture, two very important com-

ponents of industry, have two of the most powerful lobbies in Washington and in the state capitals. The legislative representatives of labor and the farmer do their best to supplement the lobbying activities of the industrial groups when their interests coincide with those of special industries. And they do their best to counteract the activities of industrial lobbyists when in the opinion of some leader the interests of labor or agriculture clash with those of industry. Thus, much legislative activity in the United States resolves itself into a battle of the lobbyists. We have in Washington and in every state capital in the nation groups of active men who make a profession of undue influence for selfish interests. They threaten with the power to command votes of the organizations which they represent, or they cajole with promises of support and money. Sane and decent government cannot operate under such pressure from organized and unorganized special interests.

Another type of corrupt thinking in industry takes the form of profit-making by speculative manipulation instead of profit-making by legitimate distribution of goods and services. Commercial bribery is gradually disappearing from industry, but commercial manipulation is still prevalent. When industry, coordinated properly in an Industrial Commonwealth, comes to a realization of its importance as a public utility, reputable business men will no longer consider it necessary to beg politicians for favors or to pay them for special privileges.

Industry can become self-reliant only when it loses its sense of guilt and regards itself as entitled to rights in return for public service. At present business men are too often placed in the position of beggars in relation to the government. They do not dare to stand up and demand rights for values offered because they have stooped too often to corruption for favors desired. The result is that the very government which they so often attempt to corrupt is placed in the position of a dominating force. The courts have made it clear that industry is entitled to certain basic rights, such as freedom from confiscation of property without due process of law, and the privilege of organizing in the public interest. But frequently business men do not dare to fight openly for these rights. Better a few dollars for defense than millions for tribute. The fear of the government is widespread among business men, though the function of the government is supposedly to serve the population in a helpful capacity, and industry is practically all of the population.

When industry is organized in the public interest in a manner which will be outlined later in this book, its National Economic Council will be a suitable body for the protection of the natural rights of all units

in the industrial process. Such a council will be able to protect industry as a whole from illegal depredations of government, and it will also be able to protect the smaller components of industry against the illegal acts of their larger rivals, and the larger aggregations of capital against the efforts of smaller competitors to interfere with the legitimate rights of corporate enterprise by the use of demagogic political influence. When industry realizes that it has duties and responsibilities as well as rights and privileges, it will no longer have to cower before the government, the politician, the large corporation or the small racketeer. The farmer will no longer be able to hold up the manufacturer by the use of Congressmen, nor will the capitalist be able to dominate "labor" or *vice versa*.

Frequently, the politicians have paid special heed to the organized and unorganized voice of the farmers, because the votes of the farmers of the country, cast in a huge *bloc* for their special economic interests, are a powerful factor in any political election. But with industry organized in such a form as to develop the full economic powers of all branches of the industrial process, the government would no longer have the power to favor the interest of the manufacturer against the farmer, the farmer against the manufacturer, the employer against the laborer, or the laborer against the employer. Such vital differences as arose from time to time between the component parts of our economy would be brought up for settlement before impartial councils and courts, and they would not be the material for futile orations and hampering political interference.

Under an Industrial Commonwealth industry, ruling itself, would have a will of its own. The honest men in industry, who outnumber the dishonest by ten to one, would be in a position to control the interests which in the past have frequently made special efforts to get special favors for personal enrichment. Today business men are anxious to operate in an orderly, decent fashion, but they are afraid of the government first and of each other afterwards. Under recognized forms of industrial organization those fears would be dissipated, and real efforts could be made to bring about coordination and cooperation without corruption.

When industry is divorced from politics, and government is divorced from industry, it will no longer be necessary for pressure groups to attempt to protect their individual interests by lobbying in Washington, before state legislatures and officeholders. The interests of every individual industry will be fully protected by the trade association of that industry, and the interests of every individual business man in each industry will be protected by industrial courts and the

regular judicial channels which exist at present for the protection of the rights and interests in conflict. No business man will ever have to go to Washington to wheedle rights out of a bureaucratic government. For the first time industry will be in a position to present its case openly and without chicanery. For the first time capital, labor, agriculture and technology will be able to form a united front against the aggression of a corrupt politician or the misconceptions of a deluded one.

At present, because our economic order is so unstable, we are all fighting our enemies by methods of guerilla warfare or endeavoring to placate them by bribery. When industry shirks its responsibilities by refusing to place its house in order and to take care of its workers and its potential customers, it is to be expected that the dispossessed of industry will rush to the political demagogues who offer them hopes, however false. Men without anything to lose cannot be expected to count the cost to the industrial economy and the welfare of the community of inflationary schemes or payments for idleness. They can say with justice that since industry does not care for them, they therefore have no obligation to industry. It is up to industry to give everyone something to gain and therefore something to lose. The politician finds his best audience among men without jobs and men without profits. These men, too, have special interests which they wish to satisfy at the expense of the public welfare, if necessary. Thus the big business man who bribes a legislator and the bonus marcher who intimidates a legislator act separately, but in the same way, for anarchical profit at the expense of industry, which is not organized to protect itself and to carry out its obligations to the entire population.

In a government of industry by industry there must be both responsibility and authority, whereas government rules industry with authority but without responsibility. The American business man if he is to remain free of state domination must not and will not shirk his share of the responsibility to see that all the American people are employed and that they have security for the future and abundance in the present. To that end industry will have to clean house, and place in the rubbish heap the racketeering financier and the professional industrial gambler, as well as the lobbyist. It must break the control over the producers of wealth by the mere possessors of wealth.

In addition to cleansing itself, industry must study itself, if it is to be in a position to enjoy self-government separated from political domination. Many American business men are able and ingenious in their own business, but few of them understand anything about its relationship to the economy as a whole. Without such an understand-

ing they can little longer live and prosper. Just as the scientific manager has replaced the hit-or-miss manufacturer, so the industrialist must replace the old-type business man. The changes which are going on in industry and economy must be grasped by the business men, who have ignored them too long although of prime importance to their own business. Industry is being revamped under their eyes, and they do not bother to study what is happening. Clinging to the past, they ignore the profitable changes which are coming. As Lewis Mumford has written: "A planned and integrated industry of neo-technic design promises so much greater efficiency than the old that not a single institution appropriate to an economy of parsimony will remain unaltered in an economy of surplus." Such a radical change requires thought and consideration, and unless business men soon begin to study their own economy, the government will do it badly for them.

As soon as industry has cleaned house, it will be in a position to insist that political corruption cease. At present the business man must wink at the graft prevalent in local, state and national administration, and he must pay the bills for that graft in higher taxes. So long as he was able to afford political corruption as a regular part of the overhead of his business, the business man did not complain. In hard times we hear much indignation against corrupt political organizations, but in boom times the business man by his complacency assists the politician to rob the public chest in one form or another. When industry is organized, it will be in a position to act as a check on the corruption of politics, but only after it gives up asking favors and paying for them. Industry will then see to it that government is supplied with taxes directly out of industry for the legitimate expenses of government, but it will not pay tribute to individuals or parties.

Just as governmental interference in industry is incompatible with the ideals of the American republic, so industrial interference in government is incompatible with the ideals of the industrial republic. The separation of political and economic rights and responsibilities is as important in the system of checks and balances upon which our entire political structure of society is based as the separation of powers within government itself, or within industry itself. When the executive encroaches on the legislative or judicial branches of the government, there is quick and effective protest. We must learn to watch as eagerly for the encroachments of government on industry and of industry on government, and to keep each within its own important sphere.

CHAPTER IV

THE "OLD" DEAL

1800-1911; 1912-1932

BEFORE we can evaluate the New Deal of President Franklin D. Roosevelt, we must take a telescopic view of the changing order of economic things which it has professed a desire to alter. The ideology of Roosevelt is that there are no longer new land frontiers for us, that we must now "master our environment." By this he means that we must become the masters of the machine age in which we live. Roosevelt knows, as all men know, that the machine is a power and force in its own right. It needs less and less the labor of man, and conversely it gives man more and more. The machine has become man's provider. This inanimate robot—the machine—with men divided may smash us all. Let us analyze somewhat the immediate background of the machine age as we see it in 1936.

The industrial age in the United States divides logically into two important eras. The first era begins with the industrial revolution at the beginning of the nineteenth century and ends with the year 1911. It is divided into two periods, the first starting about 1800 and the second in 1887 when the Interstate Commerce Commission was formed, marking the first real intervention in the economic sphere by a governmental regulatory agency. This second period from 1887 to 1911 saw the rise of "big business" and was a time when industry was not yet operating on the mass production principle and had little if any regard for the worker, the investor and the public generally.

The second era, which marks the maturing of the machine age, covers our industrial history from 1912 to 1932. This era of twenty important years divides into three sections. The first embraces the Wilson administration, the beginnings of "The New Freedom," as enunciated by Woodrow Wilson, and the entanglements of the World War. This period extends to the economic depression following the war, which reached its greatest severity in 1921. Then came a second period, a time of feverish business activity and "profitless prosperity," during which most manufacturers were operating at a loss, unemployment was rising constantly, and the population was indulging in speculative gambling. That period ended in 1929, and then came a period

characterized by the crash of speculative hopes and the retribution for false economic ideas. This terminated with the end of the Hoover regime in politics and the simultaneous closing of all the banks for the first time in the history of the country.

In that period of our economic history which extended from the beginnings of the industrial revolution in this country to the end of the Civil War, our economy was characterized by an almost complete separation of industry, including agriculture, from the state. Our national life was a relatively simple one. Men were unable to imagine the advantages which they would eventually enjoy from the chaining of machinery to their purposes, and so they argued with one another and finally fought with one another over the right to enslave men and the need for preserving the political union they had formed. The southern slave-owner could not understand the machine age which was developing under his eyes, and so he clung to his slaves desperately. The northern manufacturer was operating machinery, and he had a vague realization that ownership in men was unprofitable and a hindrance to economic progress. He preferred "free" contract labor and growing industry to slave labor and a static economy. He also preferred a high protective tariff, while the southern planter, who sold his cotton for export, preferred to buy his manufactured product in Europe without paying duties which would guarantee the American manufacturer a necessary profit.

Industry had received great stimulus from the Civil War, as it does from most wars for a short time thereafter, and a period of temporary prosperity was induced by the release of huge credit resources, which contributed largely to the growth of industry. Clothing factories, shoe factories, metal foundries, forges, and a thousand other enterprises began to supply the needs of the armies. Agricultural prices rose and brought large profits to the farmers. Mineral deposits and oil deposits began to be utilized, and railroad development increased rapidly.

After the Civil War, business buccaneers, who had been active during the war, saw greater and greater opportunities for riches. In order to strengthen their attack the captains of industry who had developed their power during the Civil War formed combinations, whose primary purpose was to drive out their competitors ruthlessly and without due consideration of rights or compensation for property destroyed. Secret railroad rebates, secret preference contracts, the burning of competitors' property, the use of armed bands against labor, all characterized the industrial war of the eighteen seventies, eighties and nineties. In order to gain their ends, individuals and combinations bribed whole legislatures and individual Congressmen. Some of the

very combinations formed to destroy competition were themselves destroyed by the competitive force of their more ruthless rivals. Whether the large unit was more efficient than the small was not considered, and many of the unwieldy corporations soon discovered that they had added to their own weakness by overburdening their companies with heavy fixed charges in the course of fighting their rivals and buying them out.

Gradually the people of the United States awakened to the trust evil. They felt that they were the pawns in a huge industrial swindle, and that what they had supposed to be their inalienable right to go into business and remain unmolested by rapacious mammoths was being threatened. Large industry, predatory at that time in its effort to gain control of its own sources of supply and demand, could not govern itself since the avariciousness which characterized it respected no law and had no interest in order. Power was law, and not law power. The government was urged to step in with the force of political power and law and curb the monopolistic practices of the corporations. The Sherman Anti-Trust Law was passed in 1890. It attempted to answer the prayer for relief which had been offered up in the platforms of both major and minor political parties during the previous ten years. The Sherman Law declared all combinations in restraint of trade to be illegal, and it attempted to force competition to be "free."

The trust, however, was a development which could no more be legislated out of existence than liquor. It had its importance in the industrial development of the country, and while individual combinations required stringent regulation and control, it was impossible to abolish logical corporate development. Later the Supreme Court recognized in its decisions in anti-trust cases that combination could be in the public interest despite the fact that it restrained trade.

The eighteen seventies and eighties were the years when the so-called "trusts" were being formed. The period of the late nineties, following the enactment of the Sherman Anti-Trust Law, was known as the era of "the consolidation craze." The Sherman Law merely changed the form of monopoly and not its objective. The government brought into being various bodies to study the new forms of corporate development. The Department of Commerce and Labor was created in 1903, and in the same year, the Bureau of Corporations was formed as a part of that department. This bureau, the precursor of the Federal Trade Commission, made investigations of leading industries, and used the force of publicity and public opinion to remedy the evils of monopoly.

In his first report in 1904, James R. Garfield, the first Commissioner of Corporations, wrote:

The imposition of severe penalties will not end industrial evils. We must find and remove their cause, leaving only the extreme or exceptional cases to be dealt with by criminal statutes.

Commissioner Garfield also realized that the corporate form, however troublesome, had come to stay. "It is obvious," he wrote, "that the corporate form is the result of economic necessity, and that its present predominance will inevitably tend to increase."

The Commissioner also pointed out that:

The concentration of business that has resulted from the use of the corporate form has produced entities that are almost equal in power to the state itself; that can meet the state on equal terms and influence it accordingly. By their size and legal permanence and their peculiar privileges they have crossed the line that divides private from public interests and their operations affect the public in much the same manner as the operations of government.

He urged that government protect property rights in corporate enterprises held by those unable to protect themselves because of lack of power or information; that it protect employees, creditors and consumers dealing with corporations, that it protect the public, and that it protect itself.

In the years intervening between 1904, when Commissioner Garfield wrote, and the present day, government has made continual efforts to protect individual interests and to safeguard individual rights, and its success in those efforts has been only a little better than its success in enforcing the Prohibition law. The laws against "monopoly," like the laws against liquor, have resulted in ways and means of avoiding the laws and a disrespect and cynical contempt for them. Certain branches of government like the Federal Trade Commission recognize this fact when they attempt to "help" industry effect "combinations." Industry alone is in a position to govern itself, but it can do so only when its right to self-government is openly recognized and the incentive is removed to exercise ingenuity in avoiding prosecution. Instead industry must use all its ingenuity in formulating regulations for its self-governance.

The government has passed its laws against monopoly in confusion. Commissioner Garfield wrote in 1904: "The present situation of corporation law may be summed up roughly by saying that its diversity is such that in operation it amounts to anarchy. The States which by reason of their commercial activity are important differ very widely

in the principles upon which their corporation legislation is based." If, instead of attempting unsuccessfully to coerce industry, the government, Federal and state, had used its forces and energies to aid industry in putting into operation legitimate rules of self-governance, the government would not have created confusion and reaped failure.

If we can judge by the political platforms of the major parties, the New Deal had its birth in 1912, when the parties vied with one another in suggesting economic remedies and recommending social reforms. All the political platforms of that stirring national campaign of 1912 contained discussions of the serious problems facing industry, agriculture, labor and the consumer. In 1912 corporations had grown more powerful, unemployment had begun to get very serious, agriculture was unprofitable, and the cost of living was high. Both Woodrow Wilson and Theodore Roosevelt inveighed against the "invisible government" of finance behind the political government of the people, and the Progressive party demanded the dissolution of "the unholy alliance between corrupt business and corrupt politics."

All of the political parties in 1912, however, were characteristically vague concerning the means of dissolving "the unholy alliance." From reading their platforms one gets a feeling, as one does from reading all political platforms, that the authors and advocates of the principles enunciated did not really believe in the undying sentiments which they pretended to proclaim. At best the political adherents of party platforms seem the deluded victims of their own oratory. Instead of acknowledging the facts of mass production and technological development, and attempting to aid in dealing with those facts, politicians are content to fly in the face of economic facts, like so many futile bats, who fly wildly in order to convince themselves that they are high.

The politicians of 1912 were some of the best we have had in the nation's recent history. Woodrow Wilson was a profound idealist, Theodore Roosevelt was a fighting progressive, and William Howard Taft was a sincere Tory jurist. But their speeches and statements today make flat reading. The leaders of that day were impotent to solve the intricate problems of a complex industrial structure by means of political measures. Like all new parties of any importance, the Progressive party, with its program of liberal reforms, had an effect on the temper of the time and on later campaigns. Many of the things which the Progressives advocated had been in the platforms of the Greenback and Populist parties many years before; some of the things the Progressives advocated, such as unemployment insurance, old age

insurance, and securities' sales legislation, are just beginning to be put into effect.

It was natural that the politicians of 1912 should become concerned with the economy of the nation, for the vast changes which were developing in our industrial structure had begun to take clear form at that time. Henry Ford, the first important industrialist to perceive the full implications of the machine age, was the major prophet of mass production and high wages to insure large buying power. He became very unpopular with other industrialists and large investment financiers because he announced a minimum wage of \$5 a day, and began to discuss in the public press a philosophy of industrial life which recognized the release of men from the yoke of toil which they had accepted before the machine age. Mass production, high wages, low selling prices, best materials and best working conditions received great impetus from Ford in the period just prior to 1912 and in the following years.

After the election of Woodrow Wilson, the Federal Trade Commission was established, the Federal Reserve System set up, and the Clayton Anti-Trust Act and the Income Tax Law were passed. When the Federal Trade Commission Act was being debated in Congress in 1913, Secretary of State William Jennings Bryan, with that ignorance of economic forces which characterized his astute political career, said: "The trust is not an economic development any more than horse stealing or burglary." Bryan and his followers advocated free competition without realizing that a state of free competition and uncontrolled industrial chaos was just the state of disorder which gave monopoly its greatest opportunities.

Meanwhile, the Supreme Court was quietly throwing more light on the nature of the anti-trust laws. In 1911 in its decision in the Standard Oil case the Court had declared that only "unreasonable" restraint of trade was illegal, and it condemned the Standard Oil Company only because it had used unreasonable methods. In subsequent decisions the Supreme Court declared that business men could organize to deal with the problems of industry. In the United States Steel case the Court decided that "mere size is no longer an offense." Both the Court and the nation had come to realize that it was impossible and unwise to legislate size out of existence, and that small business men and large corporations could both be guilty of unfair trade practices and that both could also be capable of valuable service. The Supreme Court was laying the basis for an Industrial Commonwealth.

In spite of the decisions of the Supreme Court and the slow change in the public attitude, the government went on holding the sword of

"trust-busting" over industry. It was the best sword politicians could forge for the purpose of fighting their own political battles. The Federal Trade Commission, which was designed to bring order into industry, soon became a political body, whose members were appointed for political reasons instead of for industrial qualifications. Industry itself, instead of exercising bold tactics and insisting on its legal rights, continued to run to cover, and to permit the politicians and demagogues to worry it and to harry it. Industry was still without courageous leadership, without a philosophy and without forms for adequate economic organization.

Two other legislative acts which were passed during the administration of Woodrow Wilson helped to emphasize that industry must govern itself. The Clayton Act, passed in 1914, while it declared illegal unfair competitive practices and attempted to check the development of the holding company, exempted agricultural and labor organizations from the jurisdiction of the anti-trust laws. The Webb-Pomerene Act of 1918 relieved the export trade from the legal necessity of complying with the anti-trust laws. Under this act industry was permitted to organize itself on lines of industrial self-government for foreign trade only, but the act proved impractical, because similar organization for domestic purposes was illegal. Industry could not act in one way for foreign trade and in the opposite way for domestic trade—another instance of legislative attempts to solve economic problems coming to naught.

The Pujo investigation, which was held in 1912-1913, revealed that a few powerful finance capitalists controlled in a negative way the economic destiny of millions of people. Such a control was in effect a *de facto* government of industry by bankers, a dictatorship over industry and within finance. It became evident that the United States could no more afford to submit to finance dictatorship than it could submit to political dictatorship, and people began to realize that industry must have republican forms based on democratic philosophy rather than autocratic and plutocratic domination.

The war which broke out in Europe in 1914 accelerated technological developments in the United States. We had already realized before the war that we did not need additional man-power so much as we needed additional machine-power, and there had been demands for restriction of immigration. The war cut off the flow of immigration, and technological advances made it possible to operate our industrial economy with the ample man-power we already possessed. The demand for all kinds of goods from this country by countries whose industry was diverted to the task of making war caused our machine economy

to discover new ways of satisfying the unusual demands on its productive capacity. Wages rose, and business men began to realize that there was great potential profit for the entire economy in the principle of high wages and resultant high buying power.

When the United States itself entered the war, the War Industries Board made an unusual effort to coordinate our national industrial activities. It was a step in the right direction. But the War Industries Board cannot be used as a pattern for peace-time coordination. It was primarily a traffic-routing agency in a time when the demand was for increased production and transportation of the goods produced, although it had the germ of the new approach necessary in this machine civilization of ours. The problems of a depression, on the other hand, involve the problems of consumption and distribution of the means to purchase the products which can be produced in abundance. During the war there were no difficulties with over-production, unemployment and lack of buying power. On the contrary, the problems were those of priority of raw materials and shipment of materials, and the prevention of profiteering.

But during the war industry itself learned valuable lessons in co-ordination for higher productive capacity. Business men were impressed with the value of working as a unit in each industry, and the trade association movement was encouraged and did excellent work. Standardization, simplification and the elimination of competitive waste received attention during the war, and business men realized the potential profit in order. After the war the trade association movement made great strides. Even small business men were learning to co-operate with their rivals and competitors in the effort to produce and distribute products at fair and profitable prices on an ever larger scale at diminishing costs. When political capital had to be made the heel of politics struck the face of economics and raised hob with the trade association movement.

A short period of prosperity set in after the war. It lasted only two years. Our industrial machine, which had been geared for widespread distribution during the war, financed by the lavish use of credit on the part of all governments, slowed down again largely because there were no proper credit facilities to keep up the momentum of industry. Private enterprise found that it did not have the credit machinery necessary to continue the distribution of products which people required as much as ever. During 1921 and 1922, due to the termination of large-scale war credits and the peace-time resumption of agricultural production in European nations, business had to take huge inventory losses.

Following the depression of 1921 the United States went through the period which will be known in its economic history as that of "profitless prosperity." Only a small fraction of the billions of dollars' worth of business done during the eight years from 1920 to 1928 was profitable, and such profit as there was went to comparatively few organizations. In their book, *The Modern Corporation and Private Property*, Berle and Means wrote:

In 1927 two-thirds of all corporations reporting net incomes earned less than \$5,000 each. The average non-banking corporation in that year had an income of only \$22,000, and gross assets of but \$570,000. In comparison with the average corporation the million-dollar company would be large. But in comparison to the great modern corporation both are pigmies.

General Hugh S. Johnson wrote in his book, *The Blue Eagle from Egg to Earth*:

My studies [in 1928] showed that, in spite of fabulous and inflated profits to a few large groupings, the bulk of manufacture in the United States was operating in the red, and that very certainly, at the height of our "prosperity," no less than three million employables were without work.

Agriculture suffered intensely during the "boom" years following the war, and the value of farm lands decreased tremendously.

Meanwhile, the scientific and technological development in industry had been so great that some industries disappeared overnight, and in others there was a substantial decrease in the cost of manufacture and in the need for human labor. The smaller units of industry suffered unduly and began to disappear.

Such prosperity as existed during the so-called "boom" years was given great impetus by the use of the credit device of installment buying. Everything from radios to stocks and bonds was sold on the installment plan, and the use of credit in this form helped to make the automobile industry a major industry. The development of electric light and power and the intensive promotion of super-power units released huge amounts of credit for constructive purposes in the field of public utilities, and this, too, contributed greatly to the general well-being.

As the pressure on the smaller units of business enterprise became greater, merger followed merger. The intelligent industrial organizations made efforts to retain the advantages of small efficient units within a large, compact structure. But other mergers were created without regard for efficiency of operation in industry, and they had for their motive the sale of stock in the completed merger rather than the productive advantage of merging. Some companies disregarded all

the laws of economics and scientific management in their effort to create unwieldy bigness for the sake of size.

Industry was painfully in need of proper coordination and self-governing organization during the years of profitless prosperity. The Federal Trade Commission was attempting in a haphazard political fashion to check monopoly and to police competition. But the attitude of the commission changed with the political complexion of the commissioners. When Harding was elected President, he appointed as commissioners members of his party, on the basis of their political affiliations rather than because of their special fitness, to direct the industrial affairs of the nation, and Coolidge followed his example. The commission did not have personnel with courage and understanding enough to help industry to organize itself under the protection of the Federal Trade Commission Act and in accordance with the decisions handed down by the courts in recent years. The fact that its members were often either political hacks or zealous reformers kept the commission from being a truly constructive force. The policy of the Federal Trade Commission began to follow the election returns instead of the needs of industry, and industry continued to be subjected to political raids for the ostensible purpose of preventing monopoly but for the real purpose of obtaining votes.

If the Federal Trade Commission had been removed from politics and had consisted of a group of men of social vision trained in industry, the depression of 1929 and the years following might have been less severe in its results. The Federal Trade Commission under the law could have helped industry in its necessary efforts to obtain a fair return in profits for accepting its obligations to pay fair wages and charge fair prices. The commission could also have been instrumental in organizing industry along trade association lines and in creating an economic government for a technological age. The failure of the Federal Trade Commission, formed to provide leadership for industry, to influence industry and to benefit American economic life was another instance of the failure of political instruments to affect industry healthily for the good of the population.

Meanwhile, industry was beginning slowly to reform itself as well as to organize itself, living as it did in the fear of antiquated anti-trust laws, carrying with them heavy penalties. Business men were trying to sell better products at cheaper prices, not because they were philanthropists, but because they had discovered that large markets were more profitable than high prices. They also began to take an interest in higher wages and better working conditions for their employees, medical care for their workers and insurance plans. They had

realized that higher wages created greater buying power, and that better working conditions resulted in a satisfied labor force which produced larger profits. Employees, along with the rest of the nation, were becoming shareholders in the large corporate entities. In 1929, it is estimated, about one-third of the wage earners in the United States were shareholders in American industry.

Those who realized that industry must be coordinated on an efficient peace-time basis had hopes that the administration of Herbert Hoover, the engineer, would take proper steps toward national planning. But Mr. Hoover and his advisers did little to stem the tide of speculation or to prevent the dangerous rise of unemployment. Although he had been urged repeatedly to call a conference of industry soon after his inauguration to plan our economic future, President Hoover waited until the disastrous stock market crashes of October-November, 1929, and then he called a convention of men who poured forth deceptive optimism and advertising platitudes. It was preached at this conference that business should go on as usual, and that general conditions would thereafter adjust themselves.

But nothing adjusts itself, and President Hoover and especially his advisers and associates showed little constructive ability in the field of industrial adjustment. Business, as they should have known, had lost the power to go on as usual. With business disorganized and confounded, it was up to the government to help the disinterested industrial thinkers and the expert technicians of industry to adjust our vast complex machine to changed conditions, and to stimulate needed purchasing power by credit mechanisms favorable to our profit economy. The futile attempt was made to create prosperity by legislation and politically controlled credit, but no general plan was formulated by which industry could create its own prosperity through the continuous, healthy flow of production, distribution and consumption.

Taxes increased steadily, and total profits and total wages decreased rapidly during Hoover's administration. Technology continued its advances, and the productivity of the machine went on increasing while the need for men diminished. Bankers and industrialists, politicians and administrators did not seem to realize what was happening to the colossal machine of industry. Their eyes were still on the days of large personal profits, and their minds refused to grapple with the tough problems of the future. Plans were suggested for economic coordination, but they were only discussed and never acted upon. Men still believed that somehow, by hook or crook, the country would get out of its depression. Some believed individual efforts working at cross-purposes would make everybody happy again in a new-found, magical prosperity.

Meanwhile, the government had become more and more involved in industry through government boards and government money. By July, 1932, the government had a three billion dollar stake invested directly in industry, largely through agricultural operations, Reconstruction Finance Corporation loans, and aids to shipping. The report of President Hoover's research committee on Recent Social Trends stated in 1933: "The shifting of economic activities has brought innumerable problems to government. It has forced an expansion of governmental functions, creating problems of bureaucracy and inefficiency."

The report on Recent Social Trends also urged "the importance of viewing social situations as a whole in terms of the interrelation and interdependence of our national life, of analyzing and appraising our problems as those of a single society based upon the assumption of the common welfare as the goal of common effort." "To deal with the central problem of balance," the report continued, "or with any of its ramifications, economic planning is called for. . . . The best which any group of economic planners can do with the data now at hand, bulky but inadequate, is to lay plans for making plans."

The report also lists among the "prerequisites of a successful, long-time constructive integration of social effort," a "willingness and determination to undertake important integral changes in the reorganization of social life, including the economic and political orders rather than the pursuance of a policy of drift."

The policy of drift was, however, continued, and by January, 1933, business in the United States was in a state of suspension and very near collapse. A new political administration was to take office in a short time, and no one knew definitely what its plans and policies would be. The entire population seemed to wait with pathetic helplessness for the miracles they hoped would somehow be wrought by political saviors. Meanwhile, the Reconstruction Finance Corporation lent more money, and futile and helpless efforts were made to save the banks of the nation from closing their doors.

After the failure to prevent the closing of the large banks in Michigan in February, 1933, the financial structure of the United States began rapidly to crumble to pieces. Frightened individuals, conscious of a lack of security in their banks and a lack of leadership in their government, rushed to banks all over the country and drew out their money. It became necessary to close all the banks in Maryland not long after the Michigan bank moratorium, and other states rapidly followed the example. Meanwhile, Mr. Hoover sat on in the White House as a political officeholder, and surveyed the results of his own helplessness in the economic realm shaping into a national catastrophe, without the

power on his part to do anything to stop the disastrous clouds. Roosevelt about this time was charged with playing politics while preparations were going on for his inauguration, which took place on Saturday morning, March 4th. Thirty-three hours after his inauguration President Roosevelt issued a proclamation closing all the banks of the United States in order to allow time to determine which of them had assets enough to permit them to reopen with safety to all depositors.

The banking crisis was only a dramatic climax to the general disintegration in our economy, which had been going on with varying velocity since before 1929. To some, like Sherwin Badger, it was the great cathartic of the depression. After patching up the financial structure, President Roosevelt turned his attention to measures designed to deal directly with the larger economic problems of recovery and reform.

CHAPTER V
THE "NEW" DEAL
1933-1936

WHEN President Franklin D. Roosevelt took office, the people of the United States were anxious and uncertain. From Roosevelt's campaign speeches the people had learned little that was definite. The candidate had said that he intended to alter the decrepit economic structure to the best of his ability and with fairness to all. How he intended to alter that economic structure neither Roosevelt nor his associates made clear, and it was impossible for them to make clear what they themselves could not yet know. They knew that they had a difficult, almost desperate, situation on their hands, and they could only promise to do their best in the interests of the whole population and with justice to the various and conflicting components of our economic structure.

President Roosevelt had said:

As I see it, the task of government in its relation to business is to assist the development of an economic declaration of rights, an economic constitutional order. This is the common task of statesmen and business men. It is the minimum requirement of a more permanently safe order of society. Happily, the times indicate that to create such an order is not only the proper policy of government but is the only line of safety for our economic structure as well.

"An economic declaration of rights, an economic constitutional order,"—that in general terms was the obvious need. This was the statesmanship needed by the age. This was a New Deal.

But as soon as President Roosevelt took office, he was confronted with immediate problems that were more important than those any President of the United States had faced since Abraham Lincoln took office. The larger view of our economic maladjustments had to be relegated to the background, while intricate, immediate difficulties were taken up one by one. The banks of the nation, as we have seen, were closed; millions of people were without work of any kind and were existing meagerly on the sporadic results of private charity efforts and some public doles, and millions more were haunted with a paralyzing feeling of insecurity.

One of the first efforts of the Roosevelt administration was to attempt to fulfill the pledges which the Democratic party had made to the farmers; the Agricultural Adjustment Act was the result. It tried to create a balance between agricultural and industrial prices, and attempted to raise the prices of farm products in relation to industrial prices. It curtailed agricultural production and in that way also sought to raise farm prices, and it taxed industrial units for the benefit of agricultural units. At the same time the Roosevelt administration, by virtue of the National Industrial Recovery Act of 1933, set about organizing the merchants and workers of the country under codes of fair competition providing especially for minimum wages and maximum hours and the right to collective bargaining.

While all of these legislative acts and executive plans were being shaped simultaneously, there was little time or opportunity to keep in mind the underlying economic structure to which they had to adhere. The Roosevelt administration had the task of putting on flesh without articulating a skeleton, and soon the flabbiness of the hastily formed body became apparent. Rules and regulations were imposed more or less strenuously upon industry, labor, agriculture and finance, and these components of our economy were not encouraged, except in speeches for public consumption, to create a coordinated structure of their own. The early efforts of the New Deal were characterized by a desire for immediate action in all directions at once, and many agencies were built up which could not serve the purposes for which they were intended. The New Dealers had ideas, but no unified plan or program or philosophy of industry suited to our economy and political traditions.

The difficulties which the New Deal encountered early in its career were not the result of evil intention, but they were a clear indication that political acts were not the correct implements for the management of our complex industrial structure. The New Deal, instead of becoming an economic philosophy within industrial forms, soon became a political policy with legislative and administrative devices. But there is nothing political about technological improvements, scientific advances, market requirements, the need for immense buying power and the conditions of labor. Political efforts to influence and to control these fundamental problems of our economic order inevitably led to waste and incompetence as well as to friction between classes and individuals, which prevented the smooth operation of the industrial machine. It became obvious that the President and Congress, cooperating, cannot legislate an abundant life. The government, by ukase, might be able to conjure forth some necessary credit, but it could not sustain the steady flow of capital needed for the continuous operation

of the industrial machine. Large government credits make for booms and depressions but do not give economic security.

While it was setting up machinery for the regulation of industry, agriculture and finance, the government had to take care of the millions of unemployed and their families, directly by relief funds and indirectly with works projects. In between times it confiscated the gold that was being hoarded on account of fear, and then repudiated gold payments altogether. The interdependence of industry and agriculture, of farm prices and prices of consumers' goods and durable goods was not fully realized and considered by the political forces which were attempting to shape an economy while administering to distress, without knowing the nature and needs of the machine.

President Roosevelt was no doubt sincere in his protestations against a strong centralization of government and a hampering interference in the affairs of industry. But in a short time the centralization of the Federal government attained proportions never reached before in the history of the United States, and the hampering interference in industry by government had become a daily habit. The exigencies of critical times forced President Roosevelt's political designs beyond the boundaries of his economic philosophy. Though he was not a Socialist, he had pushed the United States, before his first year was over, further along the path of government control of industry, agriculture, labor and finance than had any other President in the history of the country.

Governmental agencies which were set up in an emergency were retained as a habit, and they constituted the negation of "an economic constitutional order." Every bank, every business, every store, every factory and every farm was taking orders from at least one and frequently many government bureaus. Young theorists and old bureaucrats manned these bureaus and dictated arrogantly or without understanding to men who had spent their lives in the detailed task of conducting industries.

The one everlasting element in every governmental structure is the bureaucracy. Men and ideas come and go, Presidents and Prime Ministers change rapidly, but the bureaucrat is content dryly to reproduce his kind. His hand reaches out and paralyzes the life in new ideas. He is the master of the legislature, the executive and the people. When the people have finished agitating, the legislators finished enacting, and the President finished commanding, the bureaucrat sits back and controls everything in the fine-spun, incredibly complex web which he himself weaves. Soon he ceases to care to understand his own devices and is content to fuss in the dark. Economics liquidates its mistakes—politics never does. Furthermore, politics makes economics pay for its

mistakes. When the NRA, which started out with high purpose, sincere hopes and a brass band, came to the point of administration, it found itself at the mercy of its own clerks.

In his book, *Looking Forward*, written before he had assumed office, President Roosevelt wrote:

The plans we make during the present emergency, if we plan wisely and rest our structure upon a base sufficiently broad, may show the way to a more permanent safeguarding of our social and economic life to the end that we may in a large measure avoid the terrible cycle of prosperity crumbling into depression. In this sense I favor economic planning, not for this period alone but for our needs for a long time to come.

The agencies which a President must set up for immediate administrative purposes as well as for long-time planning are necessarily manned by men with political affiliations. The President can make every effort to obtain the best advice available, but at the same time he must keep his eyes on the election returns and on the horizon of his reelection. Every President has his patronage dispenser, who offers rewards for campaign service in the form of high governmental office and small clerkships. These men are the final persuaders when jobs are available and advice needed, with the result that advice, contrary to the need, frequently becomes Republican or Democratic rather than industrial, agricultural and financial. But gratitude for political aid can never be a valuable criterion of efficiency, and a modern President must follow principles of industrial statesmanship rather than policies of political opportunism. A political New Deal, to be one, must become a new order in which the entire economy is stimulated by the President to plan its own government. If such statesmanship is sacrificed to the desire for political power, then the administration which sponsored the Franklin D. Roosevelt New Deal will lose historical importance.

The gravest defect of the New Deal administration was its distrust of the leadership of capital and to some extent of labor. With the vision of a predatory past before their eyes, the government leaders were fearful to entrust the economy of the nation to the only persons who can possibly operate and manage it: its industrialists and its workers. No authority was placed in the only hands which could carry the authority for industry. The President should have created a distinct line of cleavage between government and industry. Each has its own important province in the life of the nation, and neither must trespass upon the other. The machinery of the courts, the office of the Attorney-General, and the body of the law are adequate to protect citizens from improper industrial practices, including racketeering and profiteering in industry. But industry itself needs some protection from the depreda-

tions of government, and it is a healthy sign that in its decision on the Schechter case and the National Industrial Recovery Act the Supreme Court again guaranteed such necessary protection to industry and safeguarded its constitutional rights from political usurpation.

A machine economy offers us all the hope of obtaining individual progress toward wealth and good living and cooperative progress toward security. But the machine must continue to function profitably without destroying accumulated capital and with ever-extending benefits to the workers in industry.

President Roosevelt attempted to create basic confidence that the machine would continue to fulfill its promise, and at the same time he attempted to carry out an elaborate program of recovery from heart-breaking depression. Reform and recovery went hand in hand, but basic reforms must come from the structure of industry itself. It was possible for the New Deal government to set up in the Stock Exchange and Securities Acts rules for gambling, but it was impossible for it to do away with gambling. The legislation designed to bring about currency depreciation in the interests of raising prices did not rest solidly on any program which was designed to keep prices at the level to which they were being raised temporarily, for the government can raise agricultural prices for a time by governmental fiat, but it cannot keep them up by fiat. The unemployed can be kept alive temporarily by huge public expenditures, but there is no assurance that the taxes for those expenditures will be forthcoming in sufficient volume to make the government solvent, unless industry is granted the opportunity to work out for itself a profitable economy. The National Industrial Recovery Act could not operate the economy, prevent strikes and lockouts, and give the entire population the assurance that there was a New Deal.

Until the Supreme Court handed down its momentous decision in the Schechter case, which put a damper on governmental control of all industry, there was wonder and anxiety for the future of our economy. The Supreme Court, by sending politics back to its own realm, offered industry the opportunity of its life.

The decision in the Schechter case, handed down on May 27, 1935, will rank in importance with any rendered by the Supreme Court in its entire history. The Court, in effect, challenged the people to decide whether they wished to change their form of government, or whether they wished to work out their economic problems while still safeguarding their political liberties. In its brief to the Supreme Court the government appealed for approval of the National Industrial Recovery Act on the grounds of the emergency which existed when that act

was passed. In its opinion the Court treated that appeal as it deserved to be treated, when it said:

Undoubtedly, the conditions to which power is addressed are always to be considered when the exercise of power is challenged. Extraordinary conditions may call for extraordinary remedies. But the argument necessarily stops short of an attempt to justify action which lies outside the sphere of constitutional authority. Extraordinary conditions do not create or enlarge constitutional power.

The President, in an interview with the press soon after this decision, attempted to justify the large powers which had been exercised, by pointing out that during the participation of the United States in the World War, the government had exercised vast powers which were never challenged. But this was a lame argument, for conditions of war were dealt with in the Constitution itself by giving the President supreme military powers, whereas other emergencies were not so specified. The Supreme Court was therefore right in saying that "Extraordinary conditions do not create or enlarge constitutional power." In the interview referred to, the President implied that it would be desirable to amend the Constitution to give the executive in peace times almost complete powers over our economy, thus making of our Constitution a "scrap of paper." This from the man who called for an "economic constitutional order"!

The codes established by the National Recovery Administration were codes of law, and the President of the United States became under that act both judge and jury. There was no appeal from his decisions, under the statute, and the Supreme Court pointed out that such vast power cannot be delegated by Congress to the President of the United States. In such a situation the President occupied no more privileged position than that of any other individual or group in the country. If Congress had delegated its power to regulate commerce to the United States Chamber of Commerce or the American Federation of Labor, it would not have been acting any more illegally than it did when it delegated such power to the President under the National Industrial Recovery Act. The President in turn handed over part of his powers to the National Recovery Administration, for one man could not be both President and industrial dictator at the same time, because of the volume of work required. Instead of the President, General Hugh S. Johnson, head of NRA, became industrial dictator, his acts subject only to the approval of the President. Such a situation was clearly incompatible with our charter of civil liberties.

The Supreme Court by no means closed the door to coordination of industry or to codes of fair competition. On the contrary, the Court

pointed out clearly that such organization in the public interest could be obtained by means of a technique similar to that employed by the Federal Trade Commission, as well as in the trade association itself. The findings of this commission are based on facts taken in evidence, and are subject to review and reversal by the courts of the land. Thus any individual or any organization has the right to appeal against the exercise of arbitrary power by this commission. In the case of the NRA the decision of the President was final until the Supreme Court decided it was unconstitutional for him to make any decisions at all of such an arbitrary nature.

In his concurring opinion Justice Cardozo hinted at the proper way for industry to be organized, when he wrote:

When the task that is set before one is that of cleaning house, it is prudent as well as usual to take counsel of the dwellers.

He also pointed out how impossible it was for Congress to operate American industry, when he wrote:

The industries of the country are too many and diverse to make it possible for Congress, in respect of matters such as these, to legislate directly with adequate appreciation of varying conditions.

The Supreme Court in its decision also left the door wide open for voluntary agreements in the public interest. It merely objected to the coercive power of Congress or the President over industry, interstate and intrastate, and not to forms of industrial self-government. The Court also pointed out that each attempt at industrial coordination would be judged on its own merits and as it arose. In the past the Supreme Court had declared—notably in the Appalachian Coal case, among others—that voluntary agreements in industry which are in the public interest will receive the sanction of law and will be enforceable against those who have agreed to accept their conditions and have failed to carry out those agreements.

The Supreme Court in its decision on NRA did not object to attempts on the part of industry to organize itself. But it did object strenuously to attempts on the part of government to force its forms of organization on industry. Industry is permitted to write for itself codes which are in the public interest; it can then obtain the mutual consent of its individual units to those codes, and it can bind those consenting to them to carry out their provisions with justice to competitors, to workers and to the consumer. If it gets the consent of a substantial majority, it is my legal opinion that it can bind the minority who do not consent. No business man could ask for more than such opportunity, and the initiative then remains with leaders of industry

to exercise constructive industrial statesmanship and to take advantage of the opportunities which the law allows them, provided they are willing to recognize the responsibilities which go with rights and privileges.

Even before the decision of the Supreme Court limited the authority of government over industry, there was great dissatisfaction on the part of all branches of the economy with some of the recovery and reform measures of the New Deal administration. Labor was disgruntled, capital was dormant, and management was bewildered for many months before the Supreme Court outlawed the NRA as operated by the government. Neither labor nor capital had any assurance of safety under NRA, and they were placed in a position of antagonism toward each other, losing some of the sense of identity with each other that had been acquired during and after the World War. Each faction got into the habit of appealing to the government to solve its problems for it, instead of joining together in efficient bodies to solve industry's common economic problems. The bureaus, boards and laws established by the New Deal administration were manifestly not able to solve the problems of labor or of industry as a whole.

An ordered economy was the declared aim of the Roosevelt administration, but in practice it found that it was expedient to make concessions for political purposes. The administration would come up for reelection in 1936, and it is easy to understand how an administration's leaders might with the utmost sincerity feel that unless it paid sufficient attention to the means of perpetuating its own power, all of its larger purposes might be endangered. But every capitulation for the purpose of political victory creates another flaw in the intricate pattern of our unstable economy.

The theory behind NRA was that industry had grown so vast and intricate, and that its machinery had become so complex and subtle, that we could no longer trust natural forces to control it in the public interest. We would henceforth have to rely on coordination and control instead of *laissez faire* and rugged individualism. This, in itself, was a great departure in world economics. The solution was there if the administration had been left with industry.

General Hugh S. Johnson and some of the committee which drew up the plans for the NRA were advised at the outset of their task that the real value of any laws such as were contemplated would depend upon the ability to educate every branch of the public in the purpose of the proposed legislation. Individuals and groups would have to cease internecine warfare and would have to be taught to recognize the rights of every other individual and group to sell goods and services

at a fair return. It was obvious that our economy could not guarantee minimum wages and maximum hours without an assurance of profitable prices and minimum returns in the way of profits for its goods.

The NRA should have been an educational movement to swing the entire population to the idea that everyone had a distinct contribution to make toward the objectives of a coordinated industry. There was much "ballyhoo" but little in the way of bringing home to the man in the street and the child in the school the fundamentals of industrial coordination without which any such ambitious move could not possibly hope to succeed. The job included the necessity of making men and women realize that their buying habits for hundreds of years past had to be changed and that they could profit most by submitting to the change.

The economics of a no-loss price for goods was never thoroughly understood by the top government administrators of NRA, and many of them neglected in their calculations and policies to consider the absolute necessity for such prices in industry. Loss prices, like low wages and bad conditions of labor, can be a great menace to our economy. Only in an economy of proper prices with a profit to industry can high wages be paid, investments secured and interest and taxes paid.

NRA began by giving industry the right to hope for a fair return in prices for its promises to labor and the consumer, but the President was advised by a Cabinet committee that a price-fixing policy under NRA was not feasible, and with his acceptance of this advice NRA was shorn of its basic significance as if there were no other way but price-fixing. If it had been given the opportunity under NRA it had been led to expect, industry could and would have found another way, possibly by establishing floor prices or by adopting some other plan that could have accomplished the required purpose. There was no elasticity in the administration of the Recovery Act, and therefore it was impossible for its administrators to arrive at a plan that would show varying, but profitable, prices for the products of industry. Such elasticity industry itself has exhibited on occasions in the past, when it has secured profitable prices which were still reasonable enough to insure purchasers and yet were not necessarily uniform.

Instead of a measure for planned economy NRA soon degenerated into a battleground for the conflicting forces of industry and the partisan strife of politics. Epithets came into extensive use. General Johnson called business men "chiselers"; business men called labor leaders "racketeers"; labor leaders called business men "monopolists"; everyone took to flinging what General Johnson called "dead cats."

Soon after the passage of NRA, the government itself became a

"chiseler." In the purchase of its own supplies the government violated the right of industry to a fair price. An Executive Order signed by the President in the summer of 1934 gave government agencies a preference in the form of lower prices than those provided for in NRA codes. Who can blame business men for insisting that they had the right to do in their purchasing what the government insisted on doing in its purchasing? The government should have been willing to pay even higher prices than its individual citizens in order to set them an example in the wisdom of prices that showed fair returns to industry and its labor.

When President Roosevelt and his advisers pushed away price-fixing as political dynamite, they created havoc in industry and ruined the possibility of success for their earlier ideals. Instead of courageously urging industry to fix floor prices by agreements in the public interest, the administration feared the reaction of price-fixing on political fortunes. The government could have led industry in the right direction, but instead it abandoned industry without support. If price-fixing in the public interest was illegal, the courts could have so ruled. There is no danger of monopoly when the courts have the power to decide that industry's activities in the matter of prices or any other trade practices are against the public interest.

Instead of eliminating friction in industry, the NRA merely sharpened it. The government did not assume leadership in bringing labor into the industrial pattern as a part of management, and thus help to bring labor's income in line with the needed greater purchasing power. Labor, as consumer, is a vital part of the industrial process, as much so as labor, the producer. Even under NRA, wages remained at a subsistence level. The lot of the wage earner was not helped, to say the least, by the 40 per cent cut in the gold content of the dollar made by Franklin D. Roosevelt.

As confidence in NRA and belief in its value to industry waned, the government made efforts to reorganize it, simplify it and coordinate it. The administration, however, clung greedily to the mantle of authority which a desperate nation had thrown to it, even after it was obvious that the government could not administer industry. Although the President and his advisers had admitted on numerous public occasions that the government could not manage and operate industry, and did not want to do so, they never used their positions of leadership to instil in industry the hope that it would be permitted to organize and govern itself with government aid instead of prosecution and interference. Without such assurance industry was ham-strung. Individual industrialists and their lawyers were conscious of the severe penalties

attached to technical violations of the anti-trust laws. The President spoke glowingly of industrial self-government, but neither he nor his associates did anything to stimulate organization of industry in self-governing forms.¹

The President or his NRA administrator could have called a conference of industry, including in it representatives of finance, manufacture, labor and agriculture, and they could have turned over to such a conference both the authority and the responsibility to organize the economy of the nation on a self-governing basis. The government could have offered industry the right to a reasonable return in exchange for its acceptance of obligations and responsibilities to labor and the consumer. The courts are always available for arbitration in cases of disagreement between the individual forces of collective industry, and the government can always expedite the decisions of the courts by providing additional machinery for their speedy action. Such a national industrial conference could have made plans for the coordination of all divisions of the industrial process from the point of view of economics rather than politics.

An industrial society consistent with the democratic ideals and constitutional forms of the United States can be organized only along self-governing industrial lines. The New Deal administration, with all its sincere efforts and far-reaching legislation, has proved an historic example of the impotence of politics in the face of grave industrial problems. The Roosevelt administration in a milder form, and the Communist and Fascist administrations in Europe in a more drastic form, have illustrated the evils of enthroned bureaucracy. The only alternative is legalized self-government for industry, just as the only alternative to political autocracy was legalized political democracy.

¹ In this connection, it is interesting to note Roosevelt's Message on Relief delivered on March 18, 1936, when this book was already at press. He points out here that although the provisions of the anti-trust laws must be enforced, "there is nothing in these or any other laws which would prohibit managers of private business from working together to increase production and employment. Such efforts would indeed be the direct opposite of a conspiracy in restraint of trade." Although this speech fails to distinguish between governmental arbitrary "policing" and industrial self-government, Roosevelt realizes that if the employment problem is to be met, "A vigorous effort on a national scale is necessary by voluntary, concerted action of private industry." He even goes so far as to say: "It is the task of industry to make further efforts toward increased output and employment; and I urge industry to accept this responsibility. I present this problem and this opportunity definitely to the managers of private business; and I offer in aid of its solution the cooperation of all the appropriate departments and agencies of the Federal Government" Will American business organize as pointed out in the succeeding chapters in order to take him at his word?

CHAPTER VI

THE ORGANIZATION OF THE COMMONWEALTH OF INDUSTRY

IN PICTURING the structure to be used for industrial self-government, it is necessary constantly to bear in mind the concept of "industry" as comprising our entire body economic. It is equally important to remember that what in earlier years we have thought of as *private* profit, which profit has always been essential to the growth of industry, has become profit in the public interest, for the entire public is inextricably involved in the economy of industry. We merely require proper organization for the proper production and distribution of this profit of industry in order to insure orderly prosperity for all branches of our population. We must not forget, too, that today we are living in a seller's civilization, where the right of the seller to dispose of goods and services at a profit is of as much importance as the right of the purchaser to be charged no more than a fair price. Our legal thinking with regard to commerce must reflect this change in our economy, and by our legal machinery we must protect the seller as much as the buyer.

The Supreme Court of the United States by its decision in the Standard Oil case in 1911 and by its decision in the New York State Milk case in 1934 supported the doctrine that agreements between members of an industry in promotion of or in restraint of trade, which are in the public interest, or which are not against the public interest, are legal. In numerous important decisions between 1911 and 1935 the Supreme Court has affirmed that doctrine. It is only "unreasonable" restraint of trade and acts adverse to the public interest which the courts now condemn in industrial practice. The decisions in the International Harvester case, the United Shoe Machinery case, the United States Steel Corporation case, the Maple Flooring and Cement cases all support this doctrine. A close study of those cases which some consider to be adverse to this point of view, the Hardwood case, the Oklahoma Ice case and the Trenton Potteries case, for instance, reveals that these decisions are consistent with the policy of the Supreme Court as stated above.

In the Appalachian Coal case the Supreme Court also declared that

under certain circumstances one single selling agency for competitive units in an industry has the right to fix a uniform price, so long as the public interest is respected and protected. The Supreme Court has also decided that business men have a perfect right to exchange views and information with each other, provided they do not use this privilege to continue to destroy competitors. In effect in the public utility cases the courts decided that if a business was "affected with a public interest," as an operating public utility was, that business cannot be deprived by government regulation, which then becomes possible, of a fair return. Such a concept can be extended beyond the realm of the public utility business, and the trend of legal theory clearly indicates that the law of the future will regard all business as affected with the public interest and entitled to a fair return for its efforts.

If industry affirms its intention to accept responsibilities and obligations in the public interest, such as assuring a share for its employees in its profits, a share for the government by means of taxes in industry's profits, and protection of the consumer from unfair practices and prices, there is no doubt that the courts will uphold industry's right to organize and to profit by that organization in the public interest. The courts will take "judicial notice" of industry's good intentions and actions, and we can safely predict from the attitude of the courts in the recent past that they will decide that a man has no right under certain circumstances to sell his goods at loss prices in such a way as to put another man out of business and his employees out of jobs.

The plan set forth in this book seeks to provide self-government for industry through the exercise of administrative powers granted to industry by the approval of its contracts in the courts of the United States and the forty-eight states. In rearing this structure for the management of an industrial civilization, we wish to re-establish a government of laws and not of men. Such a structure would also result in checking before it goes too far the recent tendency of political government to substitute the rule of men for the rule of law. The government has been forced, more or less, into the management of industry by the lack of industrial organization suitable to take charge of the problems of industry. It is such needed industrial organization that we wish to plan and to establish.

This plan does not intend to deprive the political government of its function to protect the social and legal rights of individuals and groups as they relate to the industrial process, but it provides for the judicial branch rather than the executive branch to represent the "political government." To move along any other line will eventually mean a dictatorship without constitutional sanction. The need for an Industrial Com-

partment of Justice and the courts, which could secure for all of the people any protection necessary against exorbitant profits or tendencies toward monopoly. An unconscionable profit would then soon become as much a violation of the Constitution as any other action on the part of government, individual or group which deprives persons of their property without due process of law. By tax laws and a host of other laws, profits are already substantially controlled.

The President of the United States could say to industry in effect, as I believe the Constitution of this country warrants him in saying:

You are in charge. If you will take the responsibility of putting all of the employable population back to work, if you will help to build a civilization in which all of the people have a proper place and opportunity, and if you will provide the taxes necessary to operate the community affairs, we will grant you every right of self-government. We give you full autonomy. We desire to keep inviolate our present form of government, so that our people may continue to enjoy the protection of the Fifth Amendment to the Constitution, by which they cannot be deprived of life, liberty or property without due process of law. Under these conditions you may do anything except that which the courts shall decide to be illegal.

I charge you to see to it that everyone in business is protected fairly. I also suggest that you form an educational arm of industry to inform business men and people generally in their duties and obligations as well as in their rights and privileges.

We are now engaged in a war on poverty. If the chief executive were called upon to wage a military war, he would have to entrust the action to the War Department. Our action in the war on poverty must be entrusted to practical industrial departments and must be waged by industrial forces. They have our heartiest cooperation.

Such action and such a statement are not likely to come from any President of the United States, because of the surrender of immense political power which such action would entail. As we have seen, the political forces in society have been encroaching more and more on the province of the industrial forces, and it takes more courage than the political forces have yet exhibited, to surrender power instead of acquiring it. It is therefore up to industry to obtain the political surrender of unjust powers by a demonstration of its honest intentions and capabilities, and by guaranteeing benefits to the people which politics is impotent to provide.

The executive branch of the government will probably fail to lend its sanction to industrial self-government until industry has mapped out its plan for coordination and obtained for it the sanction of the courts. Industry in its turn might say to the people and the government, in effect:

We can no longer afford the hazards of industrial chaos, and industry can no longer operate on the laws of chance. We intend to organize industry into a government of its own, and we shall create our structure on legal forms and obtain the sanction of the courts for it.

We wish to provide permanent management for industry. We realize that we have an opportunity such as no people have ever had before for creating a social state wherein everybody will be assured of a decent living. We ask that the President and the Attorney-General do all within their power to assure us of the aid and advice of government agencies. We also ask full use of the credit facilities of the country. We believe that we can set up an Industrial Commonwealth which will eliminate the competitive conflicts now destroying us.

The government of industry which we propose must create and plan, and not merely dispense. It will establish an organization to bring into practice the hopes of Technocracy. It will attempt to raise the income of this country by from one-third to one-half, as surveys have shown to be possible if the industrial processes were properly managed at present.

We agree that the existing conditions by which men of great wealth exercise power and domination over industry by the mere reason of their money resources, should not be permitted to continue.

We believe that industry can develop for itself a government of law, with the aid of our courts, and that such a government will prove to be as effective for our industrial welfare as the political government has proved for our civil liberties.

The first step in the organization of industry on a self-governing basis would be the drawing up of a trade association contract embodying the more important operating principles of the Industrial Commonwealth. Such an agreement would provide that:

1. The members of each industry would agree not to sell their commodities at a price which would endanger an economy of abundance. The prices charged by members should include a reasonable return. In cases where the accounting methods of an industry are not perfected sufficiently to permit accurate price-finding, a base price would have to be fixed temporarily on a more or less arbitrary but fair basis. Implicit in the plan is the preparation and adoption of a uniform cost accounting system by each industry.

2. The members would agree to set aside a substantial percentage of the profits of the industry, which would be divided among the employees of that industry on a basis which would assure to the lower earning groups the highest percentage of profit-sharing. This system would give all of the employees of any industry a substantial stake in the management of that industry, and an interest in its well-being. It would also help to provide the constantly increasing purchasing power necessary to keep pace with the mass production methods of modern times.

3. The members would agree to provide unemployment insurance, pen-

sions, sickness and death benefits, and other income in the form of insurance designed to give security to the entire employable population.

4. The members would agree to pay into the association a percentage of gross income to be used for standardization, simplification, research and improvements designed to lower price, improve quality and widen the potential market for the product.

5. The members would agree to participate in the setting up of such board or boards in industry generally, and in their particular industry specifically, as will give adequate government to the entire economy of the nation and proper representation in such government for each industry. Such representation must be equitable for all parties.

6. The members would agree to submit to a board of their own choosing and to the boards of the entire economy of the nation the right to determine fair and unfair trade practices, subject to the approval of the courts.

Section 5 of the Federal Trade Commission Act condemns unfair methods of competition as unlawful. Therefore, if any substantial group in an industry should receive court approval for a definition of fair methods of competition, those not complying with such code or agreement would be subject to control and correction by the court. This must necessarily follow because a court decision could determine the meaning of Section 5 of the Federal Trade Commission Act in that particular case. As a practical matter that is the only way in which standards can be set without legislation that attempts to set standards. This kind of legislation is almost impossible to draw. Such legislation the courts, in effect, have said is not necessary. An industry which had received approval of its code of fair competition by the court would, in effect, act as the court's arm against recalcitrants, whether or not in the group. Such an agreement should protect the industrial rights of all members of society, as well as those rights in a particular industry.

Therefore, it is my belief as a lawyer, that under proper circumstances an agreement could be taken by about 60 per cent of the members of an industry, or by representatives of about 60 per cent of the volume of trade in that industry into the courts for legal sanction. Such sanction when obtained would make binding the prohibition of the methods of competition and the acts and practices found to be unfair or deceptive under such agreement, not only upon those who were part of the move to get the court approval, but, in effect, upon every other member of the industry.

When Congress in 1933 passed the National Industrial Recovery Act, it gave political recognition to a change in our national economic policy. Congress declared, in effect, that the price structure of an in-

dustry should not be permitted to go below a certain point, which, under ordinary circumstances, would fail to show a fair return. The theory of the act was to forbid a recalcitrant minority or an unsocial individual from forcing the price structure of an entire industry below a profitable point. Congress did this in the effort to eliminate cut-throat competition, which forced a competitor out of business and his employees out of jobs.

In June, 1934, Congress passed an amendment to the United States Judicial Code (H.R. 4337, Approved June 14, 1934). This law, known as the Declaratory Judgment Law, for our purpose could be used to anticipate anything which would interfere with the rights of citizens in an Industrial Commonwealth. Under the Declaratory Judgment Law an industry could draw up an agreement similar to the trade association agreement outlined above, contract to put it into effect on a certain day, and before that day arrived the association could get court approval for its agreement, thus keeping its acts constantly under the scrutiny of the court. This process would also enable any individual, whether a workman, a consumer or a merchant, a member of the industry or a member of the government, constantly to get legal determination of the acts of the autonomous industry involved. This law leaves the door open for the constant redress of grievances and correction of abuses, once an agreement such as the one outlined above is drawn up by a trade association and approved by a court.

The statute reads as follows:

(1) In cases of actual controversy the courts of the United States shall have power upon petition, declaration, complaint, or other appropriate pleadings to declare rights and other legal relations of any interested party petitioning for such declaration, whether or not further relief is or could be prayed, and such declaration shall have the force and effect of a final judgment or decree and be reviewable as such.

(2) Further relief based on a declaratory judgment or decree may be granted whenever necessary or proper. The application shall be by petition to a court having jurisdiction to grant the relief. If the application be deemed sufficient, the court shall, on reasonable notice, require any adverse party, whose rights have been adjudicated by the declaration, to show cause why further relief should not be granted forthwith.

(3) When a declaration of right or the granting of further relief based thereon shall involve the determination of issues of fact triable by a jury, such issues may be submitted to a jury in the form of interrogatories, with proper instructions by the court, whether a general verdict be required or not.

The utility of the Federal Declaratory Judgment idea is still to be proved in practice because there have been virtually no decisions under

the law. But implicit in the application of the Declaratory Judgment Law to industry is the acceptance by industry of complete responsibility for the prosperity of the nation and for full employment of labor. The use of the Declaratory Judgment Law by whole industries, individual units, or labor groups and individuals, is likely to become general in the future, as practical application of the law develops in the courts, whenever agreements cannot be reached by mediation or arbitration, and whenever the legality of various phases of industrial organization and of industry-contracts is in doubt. The Declaratory Judgment Law may give the Commonwealth of Industry a flexible means of having its acts of self-government approved or disapproved without expensive and prolonged litigation.

There is little doubt that the courts would interpret the words "actual controversy" in the statute in such a way as to help industry govern itself, especially if the whole policy of the relation of government to industry were to change. The Federal courts have always met the legitimate needs of industry in interpreting the laws of Congress, even, when necessary, going so far as to give the impression of reversing themselves. Our Supreme Court in cases affecting combination in industry has since 1911 reserved the right to judge each case on its merits, which may be taken as further evidence that the Court's desire is to maintain a flexibility which statutes do not in themselves have, and which, incidentally, makes our system of society such an unusually good one.

At every step in the self-government of industry legal sanction can be obtained without resorting to intricate legal action. As everyone in the economic process thus has the courts available to him to determine his rights in industry, the Industrial Commonwealth would be subject to a constant check and balance by the judicial branch of the government. Political interference would be eliminated, but legal safeguards would be retained. There is no desire in this plan for an Industrial Commonwealth to replace the power of civil government by the power of industrial government. The judicial and constitutional sanction for the management of our economy will remain where it should be—in the courts of the country.

The procedure here outlined under the provisions of the Declaratory Judgment Law was followed in a different way but with the same effect by the Department of Justice, and this alternative procedure can be followed if for any reason the Declaratory Judgment Law should not apply to a particular situation. The Attorney-General of the United States has taken action in the past for the aid of industry of the kind here outlined. When the Standard Oil Company of New York and the Vacuum Oil Company wished to merge with each other,

and when the Remington Cash Register Company wished to merge with the National Cash Register Company, the companies entered into contracts for mergers, and the Department of Justice "moved" in the United States District Court to enjoin the parties from carrying out their merger agreements on the grounds that they were in violation of the anti-trust laws. The court in both cases approved the contract and permitted the parties to merge legally.

This "friendly" action of the Attorney-General in these cases, in bringing them on before consummation of the transactions complained of, is a clear indication of the legal trend of the times. It might be described as preventive practice of the law, corresponding to the preventive practice of medicine. There have been other cases where the action was not "friendly" on the part of the Attorney-General, but the courts still granted approval. Before those cases were dealt with in that manner, it was believed to be impossible to get a court decision unless there was antagonistic litigation between parties involved in dispute. In this action of the Attorney-General and in the Declaratory Judgment Law we now have means of obtaining decisions from the courts without first entering on the arduous, expensive and prolonged process of controversial trials.

The Federal Declaratory Judgment Law is a comparatively new idea in this country. Although some states have had such laws on their statute books for some time, they have not been called into use to decide matters in dispute in industry and commerce generally, because the state laws could not readily be so used. Practically all business of a nature to affect our economy vitally is interstate commerce, and interstate commerce is subject to Federal legislation. Through the instrumentality of the Federal Declaratory Judgment Law, however, each administrative body in an industry may become capable of translating promptly into terms of law the decision of the majority in an industry. The Declaratory Judgment Act may thus become an excellent mechanism for use in industrial self-government.

The extensive use of this new procedure by industry may result in a heavier Federal court calendar. Many of the provisions of trade association agreements, however, would be subject to arbitration, and there would not be so much need to invoke the aid of the courts as would appear at first glance. In fact, the state and Federal arbitration laws are in themselves of greatest potential aid in avoiding and minimizing court procedure itself. But even if many new judges were required, it would be worth while to appoint additional ones who would be engaged in efforts to further prosperity, rather than in the present overwhelming "negative" tasks of the judiciary. There is no limit to

the number of special masters whom judges can appoint, and there is also no limit to the arbitration facilities which industries themselves can provide. In cases where it is felt that the courts must be used, anyone would be free under the right circumstances to obtain an injunction, or, where advisable, a cease-and-desist order from the Federal Trade Commission, if that body should still be functioning as at present. Under the law such cease-and-desist orders are subject to review by the Circuit Court of Appeals.

A great many of the agreements in industry should provide for damages against violators, and for methods of arbitration to determine such compensatory damages.¹

Another alternative plan would be to set up nine Federal Industrial Courts, corresponding to the nine circuits of the United States courts. These Federal Industrial Courts could consist of three lawyers with substantial experience in industrial management. Appeals from the Federal Industrial Courts could be heard by three appellate courts for industry, consisting possibly of three lawyers for each court. Appeals from their decisions could be taken to the United States Supreme Court. The judges of the Federal Industrial Courts should be appointed by the President of the United States and approved by the Senate. The courts would correspond for industry to the Board of Tax Appeals or to the special customs courts which now hear cases dealing with customs disputes.

In all trade association agreements there should also be a section providing for arbitration of disputes within an industry. After the presentation in writing of a complaint on the part of one unit in an industry against another, stating the nature of the violation and the amount of compensatory damages demanded, the charges should be presented to the alleged offender by the trade association. If the controversy is not settled by the parties in dispute within a stated time, then arbitration should be invoked. The Arbitration Law of the State of New York and the Rules of Arbitration of the American Arbitration Association furnish excellent bases for arbitration proceedings in industry. The trade association should name one arbitrator, and the American Arbitration Association should name another from its "National Panel." The offending trade association member should also name one arbitrator. The arbitrators agreed upon and accepted should be empowered to award compensatory damages only and not punitive damages. The expenses of arbitration should be charged to the unsuccessful party.

¹ In *Business and the Public Interest*, Appendix A, pp. 191-198, I have included a sample agreement for an industry.

It is not necessary to wait until all industry has rallied around a central standard in order to test the validity of these trade association agreements. An individual industry with foresight can find a way to come into court with an agreement embodying these principles of industrial self-government and ask for a finding which will, in effect, enable the industry to operate and enforce the agreement. Such agreements in the public interest between members of particular industries and between entire industries, though they have some points in common with the NRA codes established under the National Industrial Recovery Act, should not be confused with those codes. For the agreements here advocated provide autonomous government for industry itself instead of political representation within industry, as provided for in practice by the NRA method. An NRA administrator was imposed upon industry from without. Administrators of industrial agreements would be men who had spent their lives in various activities within the industry they understood and operated.

A plan for self-government of industry can succeed in achieving the aims of an industrial civilization where plans for government management and control are inevitably doomed to failure. Instead of irresponsible politicians and bureaucrats who owe allegiance only to the political machines which elected them or to the men who have appointed them to their jobs, industry would then be governed by those who have definite responsibility for its successful operation—men who have something to lose. Under industrial self-government industry would be operated exclusively by the executives, technicians and workers who have had experience within an industry. Under government control the politician or political appointee can tell industry what it cannot do, but he cannot exercise efficient responsibility for its success in a positive way. Only those trained in the laboratory of business can bring to industry the creative qualities necessary to its unhampered progress.

CHAPTER VII

THE ORGANIZATION OF THE COMMONWEALTH OF INDUSTRY (*Continued*)

IN ORDER to set up the government of industry a committee of, let us say, twelve industrialists would be formed, to be known as the National Economic Council, or some similar name. This council could be elected by the vote of trade groups and trade associations, and its personnel would be representative of the main divisions of our economy. The committee members would be well paid and would engage in no other work during the period of their service on the economic council. The committee would sit constantly and would be charged with organizing industry, with the formulation of its general policies and with the further development of industrial peace and prosperity. The council would be assisted by a force of technicians trained in the problems of production, consumption and credit.

We shall in broad outline attempt to picture a form of organization for industry. The structure of our economy seems to fall broadly into the following six major divisions, and the National Economic Council could logically be composed of two representatives from each group:

- A. Agriculture and Natural Resources
- B. Durable Goods
- C. Consumers' Goods
- D. Distributors
- E. Services and Professions (Including Finance)
- F. Utilities (Including Transportation and Communication)

As we have pointed out above, the trade association would be the unit of organization. The larger divisions would be composed of super-trade associations organized along vertical lines. These six larger divisions, of course, are capable of subdivision and alteration as experience dictates, but it would seem desirable to keep the divisions as general and as simple as possible in order to give them wider scope and operating efficiency.¹

¹Chart A on page 9 in Chapter I shows the organization of the government and its economy in 1789 when the Constitution was adopted. It should be noted that there were only four Cabinet officers at that time. Chart B on page 70 is the official chart issued by the government in 1934, showing the major divisions of the government. There

In conjunction with the launching of this domestic program for a Commonwealth of Industry, the National Economic Council, working with the large industrial groups under its jurisdiction, and with the government, would work out trade agreements with the trade bodies of other nations, as well as terms of credit, for the purpose of solving the international problems which bear directly and indirectly on our economy, such as disarmament, war debts, tariffs, rates of exchange and world production.²

Industry, organized properly along lines of industrial self-government, would take over its heavy responsibilities to employ profitably the entire employable population of the nation and to supply the money to take care of the unemployable. Constantly lower prices, with consumers thus sharing the profits of industry, and constantly higher wages, with labor thus sharing the profits of industry and creating market demand for its products, can be effected only by the autonomous coordination of industry. The taxes necessary for the maintenance of national, state and local governments and their services can be obtained only *via* organized industry that is profitable.

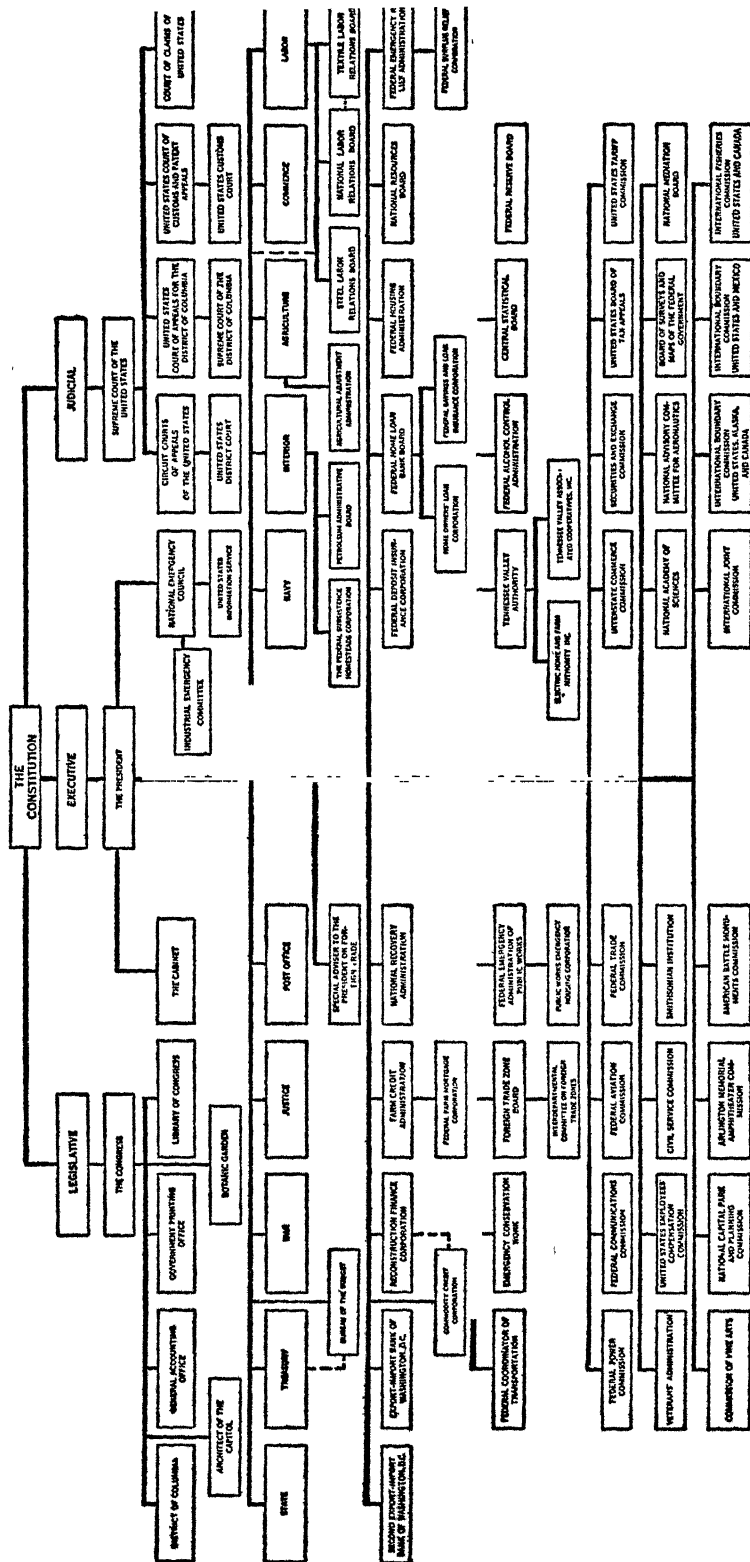
Industry, after it has been organized, should insist that the government retire from competitive business activities, such as the sale of electric power, the sale of liquor and many other such unfair competitive activities. In return industry would undertake responsibility to provide the government's income.

are a vast number of additional agencies which do not appear here. A glance at the chart will indicate how much the picture has changed from 1789 and how enmeshed government is in the economic affairs of our people. Chart C on page 71 is a duplication of Chart B except that the author has indicated those functions which are strictly governmental, those which are industrial, those which are judicial and those which are a combination of functions, as per the legend. This analysis should be studied preparatory to a study of Chart D (see frontispiece), which shows the organization, on a constitutional basis, of government and industry in accordance with the principle of the separation of industry and the state. The functioning of the courts is shown as carrying out the idea of our original government—that of balancing the “economy” and politics. Chart E on page 72 shows the organization of government in Chart D detailed. Chart F on page 73 is the organization of industry detailed, or the Commonwealth of Industry. Chart G on page 74 is the organization of a specific industry vertically.

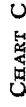
Charts F and G together indicate how the production divisions (A, B and C) would be organized through aggregations of trade associations under specific branches (such as textile, steel, rubber, etc.). Among themselves these associations and aggregations of associations would maintain contact through corps of planners, arbitrators and compliance engineers maintained by each organization. How the distributing groups in the various industrial branches join to form the distributors' division (D) is also shown, along with the simpler contacts to be maintained with the two “service” divisions (E and F) by their various member associations.

²Chapter XI deals with the relation of the Industrial Commonwealth to world peace.

THE UNITED STATES OF AMERICA
THE FEDERAL GOVERNMENT



Official 1934 chart published by the United States Government.



Author's revisions of Government Chart B showing which functions performed by the government at present are really the functions of industry. The courts are distinguished from the agencies of government and of industry.

GOVERNMENT

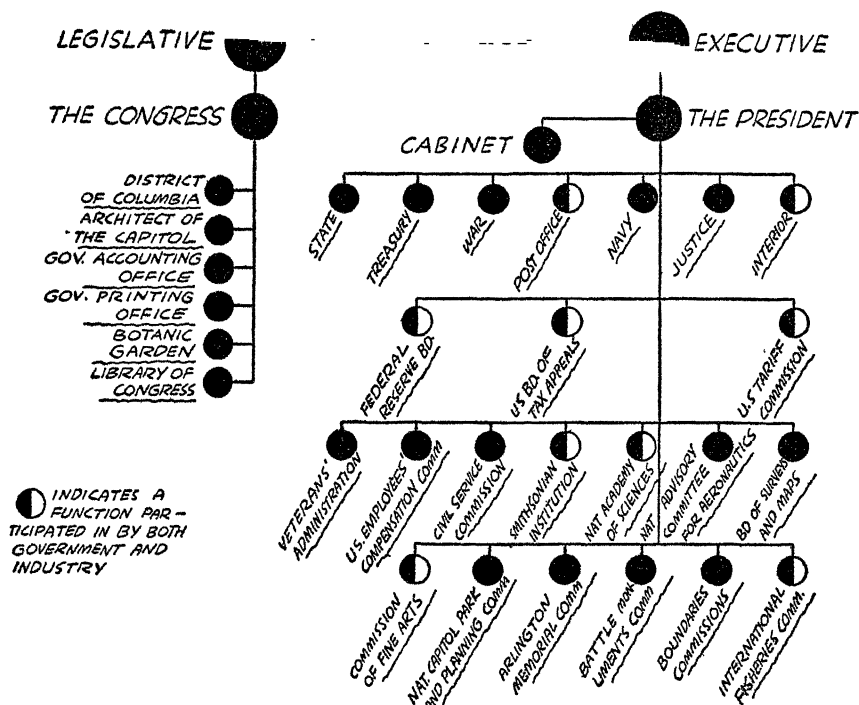


CHART E

The political government under an "Industrial Commonwealth" system.

When the lines of an industrial objective are once set down, the necessary development for their operation in detail must be established. It will be the task of the technicians of the National Economic Council to work out with industry the groupings most logical for the establishment of democratic self-government in our complex economy. The sample vertical organization here included is a suggestion also in broad outline as to how the textile industry, for example, a branch of the consumers' goods division, could organize itself.

Under this plan the production divisions of industry (A, B and C in Chart F on Page 73) would all be brought under vertical codes and linked with the distributing process through the various Institutes of Distribution, which would in turn compose the Distributors' Division (D). The structure thus formed would serve to coordinate and extend the present horizontal organization of industry in trade associations.

One or more representatives of labor in each industry or industrial grouping would be included on the governing board of the association

INDUSTRY

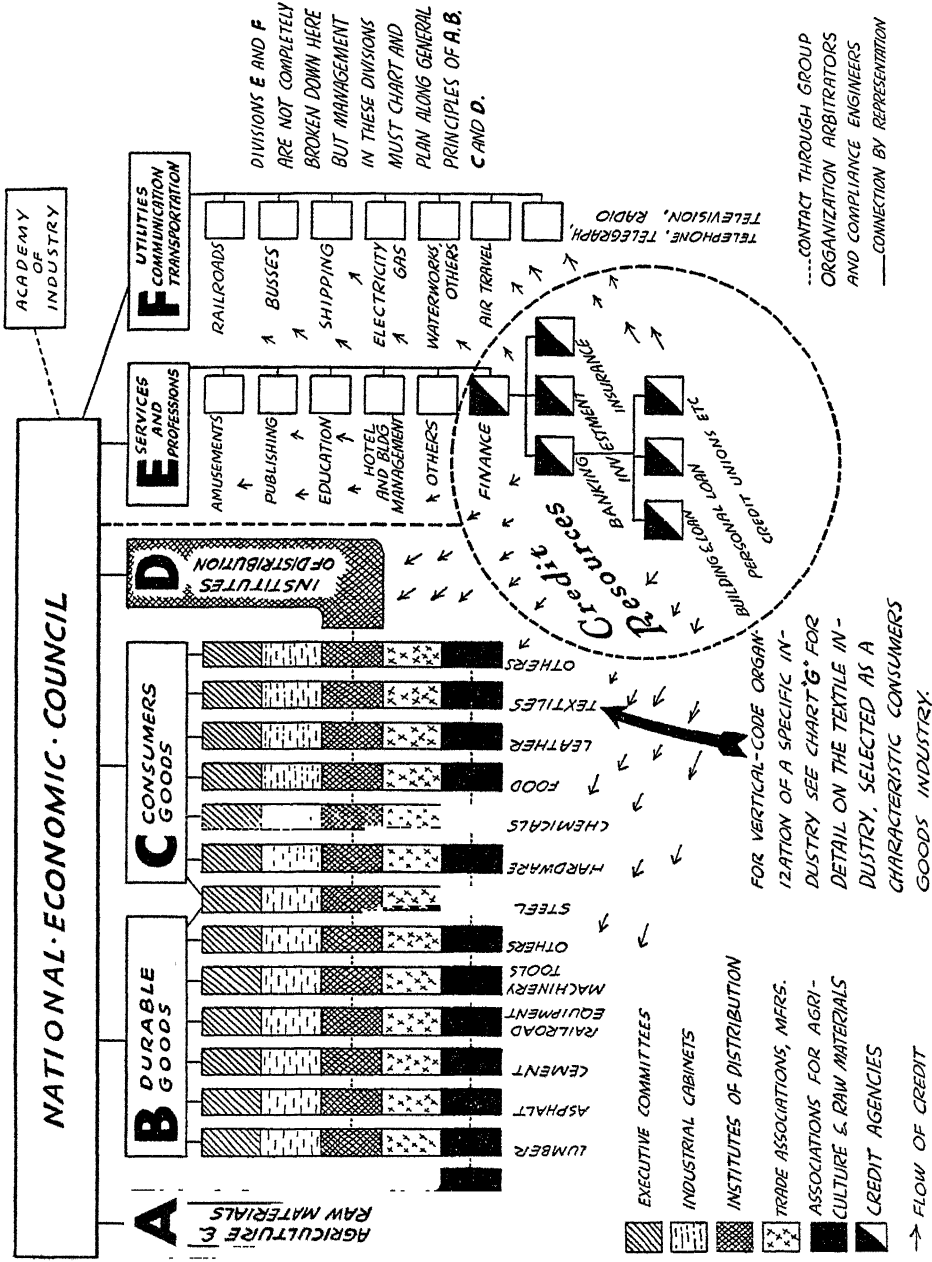


CHART F
The Commonwealth of Industry.

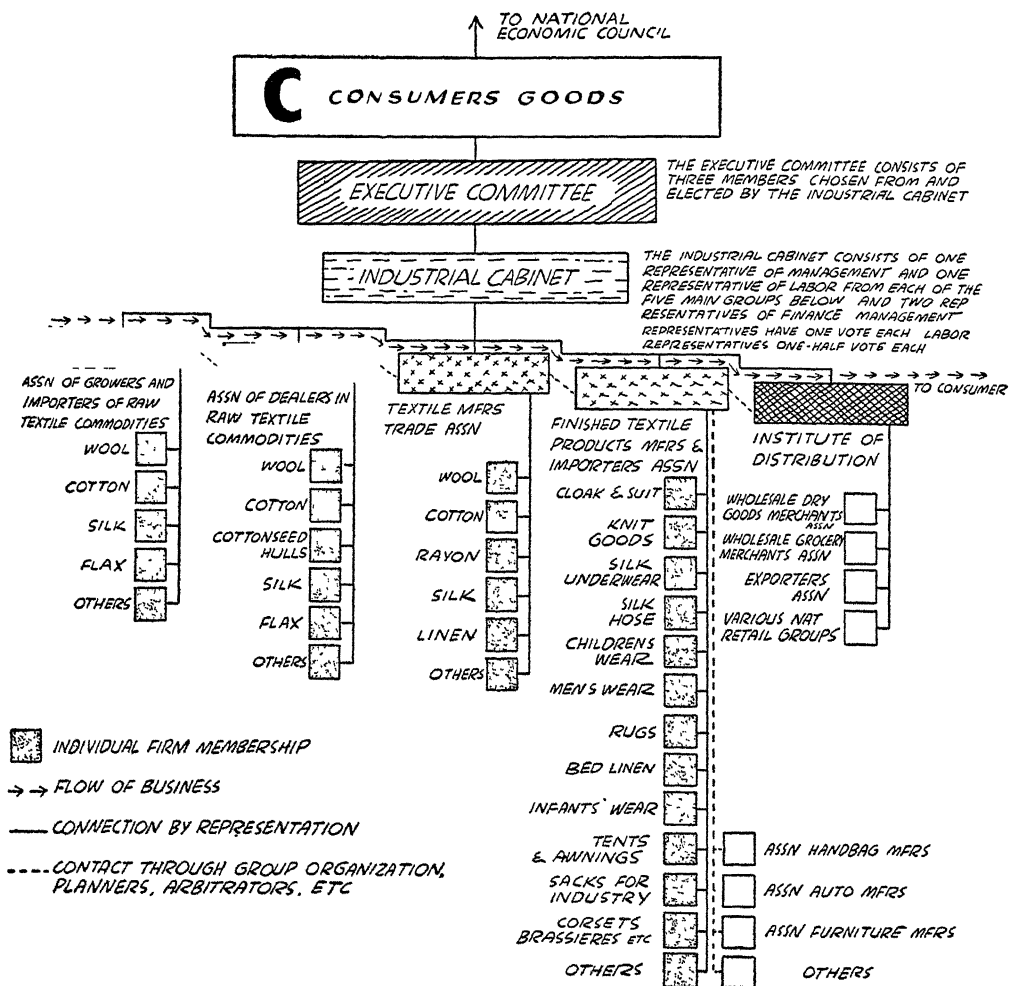


CHART G

The organization of a specific industry (textile) selected as a characteristic consumers' goods industry.

for that industry or group. Thus labor obtains a direct voice in the councils of industry and is provided with direct information concerning the condition of its industry. No attempts would be made to give labor "equal representation" or "voting strength," or to affect its rights at law.³ It is essential, however, that labor, as we now think of it, have a voice in the inauguration of any plan of industrial self-government. As labor becomes blended with executive management, as it will in a matured plan of industry, the labor representation will lose its designation as such because it is merely an interim device. The interim may be a hundred years, but ultimately labor and management in a machine civilization must be one and the same.

Each trade association and group of trade associations would set up within itself the machinery for planning, arbitration, compliance and representation, for the purpose of managing itself and dealing with other groups. To take one specific instance, the operation of the textile industry⁴ would divide naturally into seven major, associated groups:

a. *Association of Growers and Importers of Raw Textile Commodities.* To be composed of the following organized groups:

1. (a) Wool growers
(b) Wool importers
2. Cotton growers
3. Silk importers
4. (a) Flax growers
(b) Flax importers
5. Others (including hemp, jute, etc.)

This group would elect one representative of management and one representative of labor to the industrial cabinet of the textile industry. The representative of management would have one vote, the labor representative one-half vote, management taking greater responsibility and having greater authority. This gives labor a nominal voting status through which it can make its opinions known and receive direct information. The group would employ planners, arbitrators and compliance engineers to deal with its internal problems.

b. *Association of Dealers in Raw Textile Commodities.* To be composed of the following organized groups:

1. Wool merchants (who might also be importers)
2. Cotton merchants
3. Dealers in cotton seed hulls for rayon manufacture

³ The position of Labor in the Industrial Commonwealth will be discussed fully in the chapter on Labor.

⁴ See Chart G on page 74.

4. Silk merchants (who might also be importers)
5. Flax merchants (who might also be importers)
6. Dealers in other commodities (including hemp, jute, etc.)

Owing to the fact that some merchants, silk importers for instance, usually sell directly to mills, it might be necessary for a silk importer to belong to both the producers' and dealers' associations. The status of such cases could be determined after practical experience.

This group of dealers would send two representatives (one selected by management and one by labor, as above) to the Industrial Cabinet, and it would likewise employ planners, arbitrators and compliance engineers to deal with the *Association of Growers and Importers of Raw Textile Commodities*, and the *Textile Manufacturers' Trade Association*.

c. *Textile Manufacturers' Trade Association*. To be composed of the following organized groups:

1. (a) Woolen yarn and cloth manufacturers
(b) Woolen yarn and cloth importers
2. (a) Cotton thread and cloth manufacturers
(b) Cotton thread and cloth importers
3. Rayon thread and cloth manufacturers
4. (a) Silk thread and cloth manufacturers
(b) Silk thread and cloth importers
5. (a) Linen thread and cloth manufacturers
(b) Linen thread and cloth importers
6. Others

This division would send two representatives (one selected by management and one by labor as above) to the Industrial Cabinet, and it likewise would employ planners, arbitrators and compliance engineers to advise and deal with:

Association of Dealers in Raw Textile Commodities,
Finished Textile Products Manufacturers' and Importers' Association,
Institute of Distribution,

and also with the logical trade associations in the industries consuming large amounts of textile goods, purchased directly from mills, such as:

Association of Automobile Manufacturers,
Association of Furniture Manufacturers,
Association of Handbag Manufacturers.

d. *Finished Textile Products Manufacturers' and Importers' Association.*

In this group the importers in a given line could be organized into separate divisions or could belong to the manufacturing divisions, according to conditions. The groupings suggested below are illustrative:

1. Cloak and suit manufacturers
2. Knit goods manufacturers
3. Silk underwear manufacturers
4. Corset and brassiere manufacturers
5. Silk hose manufacturers
6. Men's wear manufacturers
7. Infants' wear manufacturers
8. Children's wear manufacturers
9. Curtains, bedspreads, pillows, etc.
10. Sacks for industry and agriculture (beans, cement, flour, etc.)
11. Rugs
12. Bed linen
13. Tents and awnings
14. Others

This division would also send representatives to the Industrial Cabinet, and would likewise employ planners, arbitrators and compliance engineers to advise and to deal with:

*Textile Manufacturers' Trade Association,
Institute of Distribution.*

e. *Institute of Distribution.* To be composed of the following organized groups:

1. Wholesale Dry Goods Merchants' Association
2. Wholesale Grocery Merchants' Association
3. Exporters' Association
4. Various national retail associations formed according to the natural flow of business lines.

This division would send representatives to the Industrial Cabinet, and would likewise employ planners, arbitrators and compliance engineers to advise and deal with:

*Textile Manufacturers' Trade Association,
Finished Textile Products Manufacturers' and Importers' Association,*

The consuming public, (individually, or through any associations it might form).

f. *Industrial Cabinet*. To be composed of Labor-Management representatives of the above groups as follows:

	<i>Management</i>	<i>Labor</i>
1. Association of Growers and Importers of Raw Textile Commodities (2 members)	1 (Vote)	$\frac{1}{2}$ (Vote)
2. Association of Dealers in Raw Textile Commodities (2 members)	1	$\frac{1}{2}$
3. Textile Manufacturers' Trade Association (2 members)	1	$\frac{1}{2}$
4. Finished Textile Products Trade Association (2 members)	1	$\frac{1}{2}$
5. Institute of Distribution (2 members)	1	$\frac{1}{2}$

In the *Industrial Cabinet* there would also sit two representatives of finance appointed by the national body charged with the management of credit resources.

g. *Executive Committee*.

This committee will be composed of three members, chosen from and elected by the Industrial Cabinet. The committee would be a permanent body, and it would devote itself to formulating policies and conducting research through the established channels in the industry. It would report for the textile industry to the *Convocation of Consumers' Goods Industries*, which in turn would report to the National Economic Council.

This plan rests on the principle of group association of trades, and it embraces the idea that inter-industry trade associations or arbitration bodies should be set up wherever industries have continuous joint problems or competitive interests, which are likely to lead to damaging conflicts.

It will be noted that no provision is made for organized consumer representation as an integral part of the plan. Because of the economic philosophy of the new Commonwealth it is assumed that no official representation will be necessary for consumers. The commitments to be made by industry and its several divisions to safeguard the interests of the consumer, and the fact that the courts will continually be on duty to see to it that the public interest is protected, seem adequate.⁵

This trade association plan of organization can be made to tie in

⁵ See Chapter XVI, *The Role of the Consumer*.

with local industrial organizations established along geographical lines. For example, the industries in a city like Syracuse, N. Y., through its Chamber of Commerce, which would be representative of a number of small units, or those units of industry left out of national groupings, might function as a supplementary group to a vast number of trade association organizations. Such a supplementary group might well include representatives of finance, labor and local consumers. This group could also function as a local educational arm, to work in conjunction with the Academy of Industry, which will be discussed later in this book. Such educational work, which would be done locally by the geographical groups, would be of the greatest importance to the success of the entire program, and of the entire system of industrial educational work. The local geographical industrial groups, integrated into the planned economy, might play a most important part in the Commonwealth of Industry, for they could be used to great advantage as a harmonizing force in the relations of the various economic groups in their territory. The coordination of industrial society might even be generated more promptly and more efficiently by local geographical groups in the beginning of such a development.

In addition to the dues and assessments which would be part of the costs of this industrial plan, there would be a substantial tax on industry entailed by its efforts to discharge the public obligations which it must assume toward both the population and the government. But such a tax on industry would be far less than the cost of the present chaos, and even if it were as high, at least there would be a substantial return for those costs.

Every business man and every worker must understand the obligations which industry will have to assume if it is to enjoy the great advantages of self-government and to establish satisfactory relations with government. Industry should recognize the following general principles under which self-government can be achieved:

1. The recognition that all business is a public utility, and as such entails inalienable rights and privileges as well as definite obligations.

2. The recognition of the profit principle as a prime necessity for the smooth functioning of our economy, and for the realization of the economic ideals of social justice.

3. The recognition that industry is the wealth-producing process, and that industrial management must control credit and finance in order to maintain prosperity, and must not tolerate control of industry for the peculiar benefit of financiers.

4. The recognition that in the present machine age, there is a great opportunity for universal, profitable distribution, and that each human being is entitled as a matter of right to the necessities, and to his due proportion

of luxuries, which the machine can afford the race. As a corollary the new civilization requires that each individual in turn recognize his distinct obligation to contribute to the general welfare, and that he is not exempt from this obligation because of his mere ownership of wealth.

5. The recognition that, as more than two-thirds of the goods disposed of in this country are bought by those whose incomes are less than \$2000 a year, the domestic market has incalculable possibilities of expansion. Therefore, longer-view cooperation is more important to the economy than small-minded competition. Constantly increasing wages will result in greater mass production and constantly decreasing total costs of production. It is obvious that so long as the incomes of the major part of the purchasing population remain small, recovery and prosperity are impossible.

6. The recognition that industrial groups should themselves be the responsible complainants at law against unsocial business operation, and that they must bid for public support by standing against the buccaneers of industry, who are the enemies of our economy.

7. The recognition that machinery and power functioning on the mass production principle have created a sellers' civilization, in which it is of prime importance that each owner of goods or labor power should be assured of the right to sell them at a fair price.

With such principles professed and acted upon by all those participating in our economy, industry would be ready to agree to employ all of the employable population, and to guarantee the government the necessary taxes to support, maintain and educate the unemployables. Industry would not only charge itself with the duty of paying sufficient wages to keep the employable population employed, but it would also commit itself to share increased profits with the consumer by constantly lowering prices, which would come about naturally because of increased consumption and the savings effected by an organized industrial economy. A planned industry, working through its National Economic Council, would be able to work together with local, state and national governments to balance all budgets.

Although at present it seems evident that we have not even reached an approximation of our needs in the production of most goods and machinery, this program offers machinery for preventing the evils of indiscriminate overproduction in the future. In a coordinated industrial society such as is here proposed, it is likely that industry will find its machinery out of date to the extent of at least 5 per cent a year. It is probable that in 1936, when this is written, at least 50 per cent of the machinery, equipment and buildings of industry are obsolete. When industry is assured of its right to a fair return, and when it has organized itself on a self-governing basis, it will be in a position to re-equip itself properly for its vast task of producing plenty. The great problem

of the depression of 1929: to start the durable-goods industries moving, will then seem the pathetic problem of a period of industrial mediocrity. The proposed National Economic Council in a Commonwealth of Industry may, in fact, be faced with the task of keeping the durable-goods industries from moving too fast and from absorbing too much of the available labor supply.

One of the tenets of this industrial plan is the preservation of small business units and their encouragement, wherever they are consistent with efficient and profitable conditions of labor and costs. In many cases the worst exploiters of labor and the worst competitive price-cutters have been small business men, operating individually without giving any thought to the needs of their industry as a whole, to the communities in which they are operating or to the nation. Some of these units, where they are both predatory and inefficient, would disappear under a proper industrial organization of society, for the small business unit which has existed unsocially by preying on either labor or the consumer has no place in an Industrial Commonwealth. Their rights would be safeguarded at all times by the courts. But inefficient units, large or small, must be eliminated by proper action in the public interest.

Members of trade associations could easily ascertain which of their number are relatively inefficient and weak. These could be either purchased, consolidated or developed to an efficient standing by means of extension of credit for new machinery, or the installation of more efficient industrial management. The policy of an Industrial Commonwealth would be to bring weak units up to standard efficiency, or, where this proved impossible, to scrap them after fair appraisal of their value. For many years these marginal, high-cost producers have hurt the industrial morale by paying subnormal returns to labor and by cutting prices below the profitable cost of production. The whole economy pays for it in the final analysis, the poor man the most and the rich man the least.

There have already been attempts to eliminate inefficient units in industry. One of the paper industries in 1934 operating under the National Industrial Recovery Act presented a program by which twenty-one companies, controlling about 50 per cent of the volume in the trade, proposed to pool one million dollars, to purchase plants which could not be operated economically, and to scrap them. This proposal was criticised severely at the time, and rightfully, because no obligation was undertaken to take care of the men who would thus be put out of work, for no such obligation could be assumed in unorganized industry. The price structure of the industry might have been

corrected for a while by this individual action, but the obligation to take care of the employable population could not be undertaken by individual action of this nature. General industrial organization is essential before major obligations of this character can be assumed and fulfilled.

Let us assume that some years after the organization of our Commonwealth of Industry a small town has four grocery stores, all paying low salaries and working long hours, with none of them very prosperous. Perhaps the available business in this particular town could be managed by three stores working reasonable hours and paying fair wages. It would not be unjust, therefore, for the organized grocery industry to arrange for the purchase of the weakest store and to give the owner of it a manager's position in the particular town or in some other town, or even retire him if he were old enough.

This method would do far less injury to the individual than the present harsh competitive method of elimination without compensation. At present a huge aggregation of capital from outside the town can eliminate an efficient unit without compensation and without care for the future of the eliminated proprietor and his employees. Under an organized industrial plan the better man would not be subject to elimination by outside pressure, for each unit would have the right to be heard on its efficiency and its privilege to enjoy the business it performs in the public interest. When it became evident after investigation that a particular unit was inefficient, its owner would be bought out only after fair appraisal of his assets, and not by methods of maliciously underselling him and other unfair practices on the part of his competitors.

Under a Commonwealth of Industry a number of important new problems will be created for industry to solve, but it will have the facilities and the will to solve them equitably. It is conceivable that the present haphazard desire of individuals to go into particular businesses without the ability to assume the obligations that should go with entering business, may be curtailed. Anyone who can still make a better product at a lower price and pay high wages would be encouraged to engage in industry, whereas today he may have to combat the competitive force of a large aggregation of inefficient capital, whose very size is sufficient to destroy the smaller man's efficiency. The man who wished to engage in business, large or small, would have to indicate to the councils of industry that he was willing and able to accept certain minimum standards of economic efficiency, just as the doctor or lawyer today must pass certain minimum tests of knowledge and ability, and accept certain standards of fair practice and ethics. Should units in

organized industry attempt to discriminate unfairly against any individual or unit of an industry, the courts of the country would be available for speedy rectification of such injustices.

Organized industry would benefit greatly by the release for industrial research and study of many men whose talents are now wasted in useless competitive struggles. In an Industrial Commonwealth we would have more Edisons, Steinmetzes and Ketterings than we have today, and their rewards in both money and prestige would undoubtedly be far greater than they are today.

The American people have been so devoted to the frontier theory that any man is as free as any other to enter into any activity with profit to himself and benefit to his community, that they have lost sight of the fact that this is no longer true, and that it has not been true for many years. For individuals to engage in new enterprise with profit to themselves has become harder and harder, and it has been increasingly unwise for them to do so. Ignorance of this fact was one reason for the stagnation of capital during the depression which began in 1929. The proportion of businesses which fail in the first year, in two years or five years indicates that the majority of those who went into such businesses were ill-advised. Today it would be impossible for an individual to start an unnecessary competitive railway without interference from the government. As all of industry takes on more and more the nature of public utility, there is no more reason why an inefficient unit of industry should be started to the damage of the entire industry involved. Organized industry, subject to adjudication by the courts, should have the right to prevent men from exercising industrial whims and fancies to the detriment of the community.

In a Commonwealth of Industry every worker will enjoy a substantial share of the profits of his industry. The National Economic Council, the leaders in each industry and the spokesmen for labor will work out equitable profit-sharing plans, with the courts as their final arbiters. Such plans, however, cannot be static, and they must vary with the productive activity of industry. Those responsible for organizing prosperity in industry must constantly bear in mind, however, the obvious fact that the higher the incomes in the lower brackets, the greater the purchasing power and the productive and consumptive capacity of the entire nation. Slack in personal purchasing power will be taken up by programs of personal credit, but such programs will not be practicable unless industry guarantees a higher and higher return to its workers.

The profit-sharing program here suggested has been adopted in modified form by large industrial companies. The General Electric Com-

pany provides for a distribution of 12 per cent of its net earnings after 8 per cent has been paid on the book value of the common stock. This company also operates group insurance and disability insurance for its employees, home ownership, pension and life employment payments, research fellowships and certificates of merit plus cash honorariums for distinguished service. The Endicott-Johnson Company has a plan which provides for a 50 per cent distribution between employees and stockholders, after reasonable rates of interest have been paid on capital.⁶ This company also provides various forms of insurance and employee benefits. Those companies which have established profit-sharing and employee benefits have found it of tremendous advantage to the profitable management of their enterprises.

The committee of twelve which will plan our economy under a Commonwealth of Industry, must develop a vast educational program and organization, working in conjunction with the Academy of Industry. It must educate American industry to a sense of the social obligation which it owes to the public in return for its right to a profit, and it must also educate the public to regard a profit as a natural right and an economic necessity. The leaders of management and labor must be educated to regard industry as a profession with public responsibility, and at the same time public officials should be made to realize that industry can provide the funds for government only if it is permitted to operate at a fair profit and without being hampered by political interference. The consumer must be educated to expect to pay a fair price for goods produced under fair conditions. In other words, the entire country should be brought to a constant realization that we are living in the age of machine power, with possibilities of orderly abundance, and that a "peaceful revolution" is taking place in society. Organization is vitally necessary in order to keep that revolution peaceful and to fulfill for the whole society the great service industry is now able to perform for comparatively few.

⁶ The plan became operative January 1, 1919, and distribution was made every year until January, 1928. None has taken place since then as earnings have not sufficed for such distribution.

CHAPTER VIII

THE GOALS OF AN INDUSTRIAL COMMONWEALTH

THE political state was organized for the purpose of achieving certain general rights and privileges for all citizens. The Industrial Commonwealth will be organized for the purpose of attaining tangible goals, definite goods and values expressed in economic terms. The natural question for everyone to ask is: What does the Industrial Commonwealth offer me now and in the years to come? The answer must be a specific promise in income and in terms of the things which income will purchase.

There must be a definite goal to which our entire economic life is geared, and which will link together all branches and sections of the population. The establishment of such a goal for all of industry and the establishment of definite goals for all the branches within industry, guaranteeing minimum advantages for both individuals and communities, will put our economy on a calculable, orderly belt-line, something like the belt-line system created some years ago by the Ford automobile factory for its production requirements. The setting up of proper goals will bring with it the cooperation in American life which politicians have talked about, but which they have always proved impotent to create.

Organization without a focal point toward which it can move in the aggregate is not complete organization. Organization alone can give life to the desires of humanity. The President of the United States has power, and the president of a company or a bank has power, because he directs and controls organization. With machine power behind it the Industrial Commonwealth will be able to exercise an industrial power which will set us all free economically, only when it will have organization directed toward a definite goal. If the human body functioned the way industry functions at present, we should all be either halt, lame or blind, and our bodies would be incapable of acting, moving and operating as a unit. The central brain system issues its orders to our limbs and organs, and those orders are obeyed instinctively, unless a particular organ is disabled and unable to respond. In industry, however, there is as yet no central brain system, and component

parts of the industrial structure get in the way of each other at will, and cause an industrial life full of friction and conflict, the kind of life which would make existence impossible were it paralleled in our physical bodies.

We know also that only those people are really successful in life who have healthy minds and bodies and who have goals in life which they aspire to reach or objectives in life which they are realizing. Aimlessness and shiftlessness are to be condemned in private life as in our present economy. We have indicated in the previous chapter just how a central organization can be established for industry, and it is now necessary to implement that organization with the power of purposes and goals.

If an organized industry were during a certain year to guarantee a definite minimum salary, which salary would be available to every employable person, who would thus have definite buying power which could be counted on in advance, the various parts of our economy would be related to one another closely by that very fact. The manufacturer and the retailer, the manager and the laborer, would then be related to one another in a secure relationship. Every man, with the knowledge that he had obtained security, would take his place in the economy or find his place in that economy. Such a practical objective would bring with it calculable order in industry and a clear relationship between it and government. We should be rid of vague hopes for a prosperity which no one bothers to define. We should be rid of promises of recovery which no one can explain, and we should be rid of the vague and meaningless political promises of reform. The Industrial Commonwealth, with proper goals, can make its promises in such definite terms that everyone will be able to understand them and to profit by them.

No man enters the employ of another with such vague promises as recovery, prosperity and reform for his objective and incentive. When a man goes into employment, partnership or business, he attempts to get a clear understanding of what the future holds, as well as what the present provides, in the way of security, position, rights and obligations. There is every reason for the Industrial Commonwealth to be organized with this same approach. Once we are organized with definite economic purposes in view, calculated by means of careful study, we shall first begin to understand the real meaning of wages, profits, prices and costs.

If there is to be success in economic life, there must be mobilization of all the people toward a common objective, in the same way as a common objective was developed during the war for the purpose

of defeating an opponent. During the war we brought our economic, political and moral forces together for a single effort. Now we must bring those forces together for an even larger and more constructive effort, the defeat of poverty. We have all had a realization of the need for a common goal, and even our politicians and officeholders have been thinking at times in terms not only of national goals, but of world goals. But even with the increased interest in economic planning, due to the problems created by the severe depression which set in after 1929, the people of the United States are only beginning to think of themselves as a coordinated whole, fighting economic distress, rather than a disorganized mass of individual contenders for riches.

There are still too many individuals who think that the world will be in perfect shape so long as they are making large sums of money at the moment. Men with the desire to see business stimulated, still turn with pathetic faith to the political government for solutions of economic problems. During our severe depression the man-power of the nation was not drafted for the battle on poverty, because it could not be drafted by political means. It will require the establishment of Commonwealth system before men will be able to draft themselves in the proper forms for industrial welfare, and after the establishment of such a commonwealth men will have both the material and spiritual incentives to work together for the common good. We cannot have hope of real economic regeneration unless we establish a system of industrial coordination, which will work toward definite, obtainable objectives, the sum total of which objectives will give us economic freedom *via* industrial democracy. And this can be done in an economic way, consistently with the vanity, greed and selfishness with which most human beings are possessed, just as political liberties were obtained in the face of those traits in human beings. It is possible through industrial coordination to make America really safe for democracy and secure in it.

In striving for economic goals by means of an Industrial Commonwealth, the people of the United States will never be called upon to sacrifice their civil liberties or their standards of living. When the Communist party in Russia inaugurated its Five-Year Plan, many of the Russian people were willing to die for their economy in peace time, and many of them were forced to do so by the military dictatorship which the Communist party had set up in that country. Here in the United States we do not have to require similar sacrifices. We have the machinery for industrial organization if we will only learn how to use it, and we have the developed resources for large-scale production and the technical skill to create unbounded wealth. But we

still lack the common goals which will fuse all the efforts necessary to create a decent, ordered life.

From the statistics already available it is perfectly clear that the National Economic Council of an Industrial Commonwealth could plan programs for five years, ten years and longer periods, which would raise our standard of living immeasurably, and that the attainment of such goals would be both practical and necessary. During 1929 many of the people of the United States considered that they had organized a practical Utopia, but how far they were from the truth, though it was sensed by some far-sighted people at the time, is only beginning to be brought out in surveys which the depression stimulated. The statistics compiled by the National Survey of Potential Product Capacity, published under the title of *The Chart of Plenty*, indicate that in 1929, 21,546,000 families, approximately 78 per cent of all the families in the United States, had incomes of less than \$3,000 a year. Those who had incomes of less than \$2,000 a year totalled 16,354,000 families, or 59 per cent of the families living in the United States. "Actually some 42 per cent of our people existed on a level below the standard of health and decency," the authors of *The Chart of Plenty* wrote, "and another large percentage were able to enjoy only the most elementary comforts." Only two million families in 1929 enjoyed incomes of \$5,000 a year or over.

That the industrial plant of the United States was not operating at full capacity in 1929 is also obvious from the studies made since that year. The production of consumers' goods was not adequate to supply the needs of the American people in 1929, and the unutilized capacity of the industrial plant could have produced goods at a rate which would have supplied the requirements of the entire population and satisfied their reasonable wants. The authors of *The Chart of Plenty* came to this conclusion:

Therefore, although society is still enduring scarcity, there is *no physical reason why it should continue to do so*. Resources, man-power, and knowledge, even if applied through the existing and more or less obsolete plant and equally obsolescent management, are fully capable of banishing scarcity from the continental United States.

It is true that the widespread distribution of wealth would take a little time, but if an Industrial Commonwealth once began to bring industry together and manage it in the public interest, wealth would pile up so rapidly through reasonable profits for industry from its co-ordinated effort that very soon we should all be enjoying a tremendous increase in the participation of goods and services produced and security for the future.

Statistics indicate clearly that the American people between 1930 and 1934 were depriving themselves of 287 billions of dollars' worth of goods and services, at a time when their equipment was adequate to furnish them with necessities in this amount. And this deprivation was due not to villainy, but to lack of organization and lack of goals. Except for housing, economists and statisticians seem to agree, the productive needs of the American people could have been fulfilled on a large scale without any important delay with the equipment of 1929 working at full capacity. While they were doing this, the industrial equipment could have been modernized, as it should have been, and obsolete machinery replaced if we had a plan and order in our economy. The idle man-hours wasted during the depression years from 1930 to 1934 were sufficient to replace the entire industrial equipment of the United States with modern equipment, according to the estimates of Maurice Leven of the Brookings Institution. The authors of *The Chart of Plenty* remarked: "The American plant is equipped to meet a consumer budget which will provide a standard of life for the whole people comparable only to the living standard of the privileged few in other epochs."

In addition to an industrial capacity which was being used only up to about 80 per cent in 1929, the United States has vast credit reserves, unused because of the present lack of proper industrial and financial coordination. Our labor supply is also more than ample for our industrial needs. The tremendous possibilities of industrial expansion were established by the replies sent to a commission at Columbia University by industrial engineers and executives. Some of them estimated that their industries were capable of increasing their output above their best previous performance by as much as 1,000 per cent, and the average of the replies was that an increase of 80 per cent was practically possible. The executives and technicians were also asked how much the output of all industries could be increased if equipment and management were brought to the level of the best current practice. The replies ranged downward from a maximum of 200 per cent, with 60 per cent as the median and 100 as the mode.

The creation of needed goods would have kept every employable person busy for a full 8-hour day, and would have required further technological improvements. But, while the national economy becomes potentially more productive, the individual grows poorer and poorer in goods and services, and the national wealth declines, because of lack of proper organization and goals. In 1913 the *per capita* wealth of the United States was \$1,994, and in 1932 it was \$1,981, according to the figures of the National Industrial Conference Board. The anarchical

individual management of our economy and the political interference with it had destroyed so much of the profits of industry and of our potential resources as actually to set us back in national wealth because of our lack of intelligence to use our productive capacity and distribute its results properly. If an Industrial Commonwealth had been in existence in 1913, we might not have had such great fluctuations in wealth as we witnessed during the war profits years between 1914 and 1920, but in 1932 we should have had far more national wealth and far more individual wealth than we had in that year under our present haphazard methods of production and distribution.

It would be the task of the National Economic Council of the Industrial Commonwealth to work out a plan by which the lower income recipients could receive a higher and higher percentage of the profits of industry, until we had reached a minimum income for a family of, let us say, \$10,000 a year. Such a program and such a plan are entirely practical, and the achievement of this goal would change the psychology of the American people. The enmity between men occasioned by the present method of unsafe and unfair advantage for some and dangerous misery for many would be submerged in the common effort for a goal for the general welfare. Instead of our present competitive struggle by which some of us get insecure wealth by making others poor, the accent would be placed definitely on the effort to make everybody rich.¹

The National Economic Council could set definite goals for wealth and income based on our past rates of acceleration, with allowances for the elimination of waste under the new intensive business management, and with allowances for population trends. There is no reason why the National Economic Council could not improve the economic balance sheet and operating statement by 10 per cent a year over a reasonable period of time. The total national wealth of the United States, which was approximately 361 billion dollars in 1929, could presumably be raised to 660 billion dollars in 1944, and the total national income, which was approximately 90 billion dollars in 1929,² could be raised to 140 billion dollars by 1944. A 10 per cent growth each year would mean an average income for every family in 1944 of about \$4,000 a year. Our industrial economy would be kept prosperously busy supplying the needs of thirty million families with such a purchasing power.

Those with high incomes during the first years of the Industrial

¹ Read *Make Everybody Rich—Industry's New Goal* by the author in collaboration with Charles W. Wood, published in 1929.

² This indicates a *per capita* income in 1929 of approximately \$730.

Commonwealth would have to concentrate on helping to raise the incomes of the lower brackets, because it would be to their own economic advantage to do so. They would stand to gain tremendously in security for their own incomes and capital. It would be the effort of an Industrial Commonwealth to concentrate on higher and higher minimum wages, beginning as promptly as possible to raise them to a level insuring first a decent existence and then a full life and opportunity for creative energy. Its first objective would be to bring everyone above the subsistence level, and then to raise everyone constantly higher in well-being. We can visualize the practical industrialists of the National Economic Council, gathering the best brains to their aid in order to find ways and means of earning these necessary minimum salaries promptly. Waste, duplication and every economic crime now committed would not go unchallenged. Standardization, simplification and research would aid to bring about those happy conditions which an industrial civilization can create if properly managed.

Our National Economic Council would represent the various major divisions of our economy, and each one would work in coordinated cooperation with the others,—finance, for instance, with construction, and each would have ideas as to what could be accomplished in a given field. The building industry, for example, might well present as its part of the program and goal a building schedule calling for one million homes a year. The concrete, cement and steel industries might well present a schedule for the increased building of express highways and the eradication of grade crossings. The durable goods division of the Industrial Commonwealth might well set a quota of production at a reasonable price, which could cut its costs and prices because of central planned production and the knowledge that it would have an outlet for its production. This would give the incentive and stimulus necessary to start the important building trades under way.

It was estimated in 1934 that there were 6,000,000 unemployed in the capital goods industries of the United States, and 4,700,000 unemployed in the service industries dependent upon those capital goods industries. The thoughtful executives of these industries realized the conditions prevalent and the implications of those conditions, but in an unorganized economy they were not in any position to alter those conditions. Therein lies the difference between an organized industry operating with fixed goals in mind and a disorganized industry without power to find markets for a needed supply of their goods and services.

A report covering fifty typical cities in the United States showed that more than 62 per cent of the residences of those cities were badly in need of repair, and that great numbers of these dwellings were in

need of such obvious requirements as electric lighting, central heating, hot running water, baths and modern sanitary facilities. These figures were for cities only, and the percentages of lack in proper housing requirements are even greater in the towns and villages of the country. We cannot imagine a National Economic Council sitting idly by with these figures at hand and waiting for the government at Washington to act by bureaucratic, wasteful means.

The National Economic Council would be able to calculate its goals from the material furnished it by the divisions of the Industrial Commonwealth, such as those of agriculture, raw materials, durable goods, consumers' goods, utilities, transportation and communication, services and professions. Each of these large groups would base its figures on those furnished by the smaller groups of operating units in its own industry. Every business man of ordinary efficiency makes a budget today and works out a more or less definite program for the year. It would be a problem merely in calculation for the National Economic Council to budget the economy of the nation, based on reliable figures, and to carry out those goals and programs which the budgets indicated as practical and necessary.

There are hundreds of millions of dollars of consumers' goods items, such as shirts, underwear, dresses, cloaks, hosiery and shoes which could be substantially reduced in price on a mass production basis, with a guarantee of a potential market. The profits on such activity would be sufficient in a comparatively short period to bring into realization the minimum income for families which would be our first major problem.

Business men are just beginning to realize the importance of the clash of interests in our economy between finance capitalism and the other divisions of our industrial economy, including management, labor and technicians. The old use of the word "capital" to designate both finance and management is no longer valid, and now the conflict is not so much between capital and labor, as it is between capital, in the sense of finance, and all the operating units of industry, including both management and labor. In the setting up of goals for our Industrial Commonwealth, we must stress the prior claim of those who produce goods and offer services over those who contribute merely one factor, credit, in the form of wealth, which belongs to other people. The financial corporations and the bankers, with their command of credit, must be enlisted in the process of reaching our industrial goals, but in the past we have paid a great price for credit in both money and power over industry.

The goal which our Industrial Commonwealth will set up will be

concerned with the creation of real wealth and the maintenance of its value, instead of the transitory and insecure manufacture of artificial wealth, such as was accomplished for short speculative periods by bankers in the past. These financiers and bankers who used our economy for the profit of themselves and their interests, though they exercised great control over that economy by their command of credit, exhibited no social responsibility for its welfare. The self-seeking jobholders and money manipulators of investment banking and finance are as much a parasitical growth on industry as the self-seeking jobholders and power manipulators of politics, whom they themselves decry. The industrial banker is an important person in our economy, since it is through his channels that the oil of credit gets into the industrial machine, but he is important only in so far as he shows an interest and concern for the orderly, regular operation of the industrial machine to which he contributes his sources of credit. Too often in the past, the financiers have lived by short raids on the efficiency of our economy and have profited at the great expense of industry instead of aiding industry to profit to the advantage of itself and the investor alike.

The setting up of goals for particular industries is not a new thing, but the setting up of goals for industry as a whole is new and is a great need. The American Telephone & Telegraph Company and other industrial institutions have laid out five-year plans for their organizations. With the figures now available through the efforts of government agencies, large industrial organizations, life insurance companies, banks and organizations like the Brookings Institution and the National Industrial Conference Board, trade associations and individual business units could lay out a program for five years to determine what may be reasonably expected as the *per capita* minimum income. Then the Industrial Commonwealth could concern itself with constantly raising that minimum for the good of industry and society as a whole.

There is available today a wealth of data which throws light on the methods which could be applied to the establishment of goals for industry. We have, for example, reliable estimates of the ratio of wages to total operating costs. The percentages vary in different industries from 5.5 per cent in sugar refining to 56.2 per cent in railroad car construction. In connection with the total wages distributed, these percentages might form the basis for a formula or series of formulas showing the relation of labor cost in particular industries to gross return and net profits. Thus we should be in a position to determine which industries were carrying their share of responsibility for main-

taining the purchasing power necessary for their own welfare as well as for the welfare of industry as a whole.

The Industrial Commonwealth could deal effectively with the disturbing problems of foreign trade, as we shall explain in detail in a later chapter. It is sufficient to state here that the industrialists and traders of the nation could, with industry controlled by economic facts instead of political fancies, work properly for trade agreements with foreign nations, affecting industry, for organized industry would have a complete picture of its status and requirements in relation to the products and services of other nations.

The Industrial Commonwealth in setting up its goals could indicate to the people of the country just how each goal could be exceeded and prices further reduced if the purchasing power of the nation were in accord with its earning power and its economic progress. With an ever-increasing purchasing power assured by an organized economy, it would be possible, for example, to reduce tremendously the price of an automobile like the Ford car, since a definite number of people would be able to commit themselves to purchase new motor cars at fixed periods of two or three years.

We need have no concern about buyers' strikes under an Industrial Commonwealth. If Americans have the income, an expectation of its continuance in the form of salaries and wages, and a reasonable belief in the stability of the values they own, they will buy to the full limit of their ever-changing needs. This would be especially true under a Commonwealth system, where every individual would have a credit standing, a status limited at present to a few fortunate individuals.

The setting up of goals would relieve business of its present fears and uncertainties and the necessity of operating haphazardly and from hand to mouth, which it has been doing since the war. The setting up of goals would mean many changes of an important nature in business practice, in the business structure and in the methods of dealing with interrelated economic and social problems. The approach would be entirely new, but the practice and procedure would not be as revolutionary as many might think. For the world has been moving in the direction of industrial commonwealths for some years, and our gropings toward organization will take clearer shape as the exigencies of economic forces make coordination more and more inevitable.

When an Industrial Commonwealth is organized, it will necessarily aim to prevent the disastrous cycles of ascent, expansion, inflation and explosion. Business will have to be organized on the soundest possible basis, with the soundest people in control, and in the course of

such organization it will undoubtedly be necessary to put some people out of business if they do not belong. The inefficient units must submit to changes in the public interest, but the Industrial Commonwealth will eliminate them as painlessly as possible, uniting the resources of some units, purchasing rights in others, and helping to finance with credit and technical aid those who show industrial efficiency. Today many men are eliminated from industry ruthlessly by the processes of technological changes and shifts in public taste. The mortality in business and investment in industry due to sudden changes is today enormous. Manifestly there must be changes and there must be mistakes if there is to be progress. But billions of dollars lost to industry and individuals by improper preparation for change and wasteful liquidation of its consequences could have been preserved to them by an Industrial Commonwealth.

When we are organized on the basis of providing a decent living for all instead of a good income for a relatively few companies and individuals, we shall have to work out a relationship between money values and use values. We shall then be able to save sound factories, mines and buildings from the destructive competition of those operating on values which were established when they became bankrupt.

In the new order, as well as in the old, it would make for greater production in a single industry if individuals were being encouraged to buy new cars or new radios every year and to discard old ones which still have reasonable use value. But it would be far better for the economy of the nation and the welfare of the individual if people of moderate means were encouraged to buy a new car once every three years, perhaps, and to spend the rest of their money on better housing, furnishing, education, travel, and other physical and cultural necessities. The Joneses might learn to keep up with themselves!

There would be a great field in the Industrial Commonwealth for proper advertising to convince people that while they are entitled to the latest improvements and developments, they stand to profit by a diversified use of their incomes. It would also be important to convince manufacturers of automobiles and other devices that while they must keep up constant research and study to improve and develop their products, they do not have to bring out "new models" each year because of the need to capture a fickle public taste. Industry itself, in its competitive scramble, has attempted to create an artificial demand for a newness which consists in unimportant changes and waste of the car, radio or other device which still has honest use value.

We can already see great strides in industry toward a development of use-value standards. The stabilization of trade-in allowances in the

automobile industry, which was stimulated by the NRA codes, was a step in the right direction. In our modern advertising we see large companies spending much money to educate people toward the goal of obtaining the utmost use value for their money. The advertising business has been getting away more and more from the campaigns which attempt to stimulate buying by making people envy their neighbors.

In addition to providing funds for a balanced budget for the individual, the Industrial Commonwealth will be able to assure the government of regular taxes for its orderly maintenance. It will also be able to spread the burden of taxation just as it spreads the benefits of income. By doing away with unemployment of employables, organized industry will save the nation huge sums of money taken today in taxation to keep the unemployed alive. With the political government relieved almost completely from its present economic functions, the taxpayers would soon see a smaller and smaller budget for political government. Foreign trade agreements if worked out efficiently by the agencies of an Industrial Commonwealth would bring about an economic amity between nations which would make the huge tax burden of armaments unnecessary.

The distribution of such taxes as remained would be much fairer, because, as we are organized today, with ineffective and inefficient tax laws, a particular company may do millions of dollars' worth of business and pay no taxes directly, because it shows no profit. As the necessity for inherited wealth is replaced by the assurance of individual security, taxes on inheritance can increase rapidly and will be thought of more cheerfully by men who can die with the certain knowledge that their sons and daughters will have opportunities for a safe and decent life. High surtaxes, estate and gift taxes would prevent the formation of immense aggregations of wealth and financial power which at present hamper organized industrial activity, and the burden of taxation could be shifted from resting too heavily on industry and thus hampering it, to the surpluses accumulated by individuals. In fact, after the Industrial Commonwealth had been organized for twenty-five years, we should probably see a great change in people's ideas toward accumulation of personal wealth. They would get used to thinking in terms of use values and of security, rather than in terms of sums and bank accounts.

Under an Industrial Commonwealth the problem of unemployment will be translated into a problem of utilizing our labor resources and man-power to their fullest extent. The great problem may well become that of getting enough people to do the needed work, and there is not

for its attainment. The lines of demarcation between employer and employee will grow dimmer as both merge their interests in common goals.

Industry will feel a constant obligation for the safety and welfare of its employees, and that concern will be the best kind of unemployment and social insurance. Social benefits offered to the population by political means can never be so adequate or so certain as those guaranteed by the organized prosperity of the Industrial Commonwealth. Social security plans under such a commonwealth would have to include insurance against unemployment because of old age, accident and disability, for it would be entirely in the interest of the Industrial Commonwealth to guarantee for itself a continuous purchasing power for the entire population.

Under a system of setting up definite goals to be attained by an Industrial Commonwealth, individuals, units and associations would not tolerate inefficiency, laziness and corruption in other members of the industrial society, because the acts of some would affect too obviously those of the whole community.

Americans have become less and less interested in economic adventure. They have learned the advantages and necessities of cooperation. With the progressive development of our resources, we are in a position to organize for combat against want and privation. We still seek adventures, but adventures of the mind and the spirit. We cannot engage in higher adventures, however, until we have successfully organized ourselves for economic security. Having begun to understand the organic structure of industry, it remains for us to apply that understanding by the establishment of proper goals for a coordinated Industrial Commonwealth.

CHAPTER IX

WHAT IS PROFIT?

THE guarantee of a profit is as important for industry as the guarantee of civil liberty is for the individual. Men have existed without personal liberty, and they have done so during long periods of human history. But machine industry, whether operated by individuals for personal return in the way of income, salary and wages, or operated by the community, as in Russia, is lifeless without a return on its effort which guarantees the livelihood of all those concerned in its operations.

It is difficult to define profit. Words are not very helpful yet. It is the author's hope to give in this chapter some idea of how profits should be regarded even if we, as yet, do not know fully what profits are. We know not what electricity is. But we know it has power and we know how to regard it. We respect it by controlling it, and so with profits.

When men made goods only for the use value to themselves and their tribe or family group, the "profit" consisted in the benefit derived from the food, clothing or shelter which they created. Under the primitive form of exchange, barter, it was necessary for men to derive only an immediate use value from the commodities they produced or exchanged. When hunting grounds were laid waste or soil exhausted, primitive men moved on to other places. This way of life proved so dangerous and uncertain that men sought to settle in the richer parts of the earth, to save for a tomorrow and to exchange their products for those produced by men in other rich parts of the earth. A "profit" was necessary on their effort in order to induce them to make and to keep the earth fruitful. As men learned and realized the potentialities of natural resources, they began to develop machinery for the long-term exploitation of those resources, and for the storage and the exchange of the products thus created. The development of that machinery required the storing of values and the return of those values to the productive process, so that continuous consumption might be assured.

Profits, whether in the form of goods or money, are merely the necessary accumulation for future assurance of goods and services.

The right to a modern profit is as obviously necessary as the right to a continuous supply of air to breathe or water to drink. No one resents air or water, but we should all soon resent the hoarding of air and water by individuals who kept it from other individuals. Profit in a machine civilization properly controlled can be no more private than air or water. Hoarded it does the owner little good. Because some individuals have managed to hoard "profits" and keep them out of the productive process, is no reason why the word "profit" should always have a connotation of evil, as it does have in the minds of some demagogic politicians, who use the word to obtain individual power. The "hoarding" of profit defeats its own purpose eventually, for profit in a machine civilization is valuable only if it is being put to the production of more values. Profits are machines, factories, buildings, land and the technique of making these inanimate things serve men.

During the nineteenth century many men in industry behaved as if industry were in a state of perpetual civil war, in the course of which each one carried off as much booty as he could possibly gather to himself. Such an attitude eventually brought with it attempts on the part of the community organ, the state, to set up rules and regulations for that war. Those rules and regulations frequently failed of their purpose because the community did not realize that the organic structure of industry was cooperative. The very process of exchange for profit, business, was one of cooperation and not one by which a man grabbed another's possessions and made use of them. Frequently, in the competitive struggle for possession men did behave like outlaws and stole each other's goods without fair return. During that period there was evident need for curbing viciousness and greed by the courts and the law-making bodies.

In recent years, however, men have come to realize that the way to profit is not by killing potential customers. Men still compete actively with one another for the interest of a wider and wider public in their products, but they are realizing more and more that such a wide interest as is necessary to guarantee continuous profit is obtainable only by manufacture and wide distribution of the most serviceable goods.

Unconsciously, the American public has always favored a profit, even for the other fellow. An inordinate respect has been paid to the man who has made large profits, and we have not even questioned closely the methods and manners used to accumulate profits. Even during the World War the profiteer was regarded as a smart man rather than a social outlaw. There was some political talk against him, but

those engaged in the business of making a living were inclined to admire his wit and to study his methods rather than to agitate against his efforts. And that is because men realize that profits are a vital necessity to society, even if they are accumulated by corruption and administered inefficiently. The crumbs from the rich man's table have always been more attractive than the words from the demagogue's mouth.

This plan for an Industrial Commonwealth is based on the obvious assumption that industry must have a fair return for its activities. The establishment of proper reserves out of profit surpluses for use in research, continuity of employment and social betterment naturally presupposes the existence of surpluses in the form of profits. Unless industry is constantly developing and making reasonable profits in the process, it will be impossible ever to establish an economy in the public interest. Honest business is entitled to a profit, and dishonest business must be exterminated by the decision of the courts based on the complaint of its reputable associates or any others affected.

At present the rules and regulations adopted by government to prevent dishonest business are frequently used to interfere with the legitimate activities of honest business, and in any case business is in perpetual fear for its life from the powers which the government exercises over it by legalized force or by extra-legal intimidation. Frequently an honest business will attempt to adapt itself to the rules created for the regulation of dishonest business, in order to avoid the expense and uncertainty involved in asserting its rights. Often prices are kept at an abnormally low rate in order to insure the consumer against dishonest individuals. Thus the important right of industry to a decent profit is destroyed because some individuals have in the past violated the laws of decency in their efforts to obtain abnormal profits. There is no other way to prevent the abnormal losses attendant on bankruptcy and reorganization than for industry to organize itself in such a manner as to insure a fair return for itself. There might still be losses, but of a different character and kind from those we know in this year 1936.

We hear a great deal about the corporate monopoly and its profits, but we hear little about the losses of large corporations. Many of our large corporate organizations have at some time in their recent history undergone reorganization or have been through bankruptcy. Some of those which were not forced to reorganize or to wash out their past in bankruptcy were prevented from doing so only by the fact that they made large surpluses during the war which have carried them over into the post-war years of profitless prosperity. As an indication of

the quick changes in large industry, we have the example of the automobile companies. In 1926 there were about 200 automobile manufacturers in the United States. In 1935 there were less than 20 of any importance. This diminution was the result of bankruptcy and mergers largely forced by lack of profits and fear of bankruptcy. Those automobile companies which are making better products than ever in their history have been enabled to survive by the fact that they have made large profits on a huge turn-over in line with the trend of the machine age. Fair profits are consistent with low prices, says modern management, best exemplified in the automobile industry.

Since 1900 only a fraction of one per cent of the businesses of the United States have been able to avoid reorganization of some kind. A table showing business mortality prepared by Dun and Bradstreet, Inc., may be of interest for the point sought to be made here as well as for other reasons not properly a part of this chapter:

EBB AND FLOW OF THE NUMBER OF ACTIVE BUSINESS ENTERPRISES

	Concerns in Business	New Concerns	Per Cent	Discontinu- ances from Business	Per Cent
1915.....	1,674,788	380,022	22.7	350,444	20.9
1920.....	1,821,409	459,345	25.2	346,101	19.0
1925.....	2,113,300	496,090	23.5	432,987	20.5
1930.....	2,183,008	422,868	19.4	450,898	20.7
1931.....	2,125,288	355,452	16.7	362,556	17.1
1932.....	2,076,580	338,272	16.3	432,684	20.8
1933.....	1,960,700	344,907	17.6	386,542	19.7
1934.....	1,973,900	378,680	19.2	359,564	18.2
Five-Year Average....			17.8		19.3

The evils of too great competition, lack of knowledge of cost accounting, and in many cases sheer incompetence, have been some of the reasons for this disastrous mortality in our economy. In the course of this process of loss the public has suffered. Stock investments in original companies have been rendered valueless principally because of the competitive struggle which worked against the possibility of making a decent profit. Reorganizations have had to take place with the destruction of the original investments of the stockholders. In some cases these reorganizations have been forced by the manipulative deviltry of unsocial speculators. The activities of Kreuger and Insull are cases in point. But for every reorganization that was due to villainy on the part of the stock-market gamblers at the head of companies, there have been many more forced by the evils of profitless prosperity.

The losses to the entire population in depreciation of invest-

ments or loss of employment, which are due to over-competition and abnormally low prices for goods, have taught us that accumulated wealth is a matter of public, and not private, concern, and that every man's profit is every other man's interest. Incidentally, the billions and billions lost by the nation because of the fact that less than one per cent of the original businesses of 1900 are still here is inconceivably more, I believe, than we shall ever have to lose over a like period of time under our Industrial Commonwealth idea.

The resistance which exists in some parts of the community and among politicians against a reasonable profit for industry is the result of the private and unorganized nature of our present economy. In spite of the obvious fact that we are all interdependent, people still do not appreciate sufficiently that the general welfare of our industrial economy is the general welfare of the population. The two are inextricable, and when industry is properly organized, with justice for all, resistance against profits will disappear overnight. Low-loss-prices will be regarded with as much disgust as low standards of living are regarded. When it is realized that our prices and profits are based on the need to discharge social obligations, there will be less resentment on the part of people who buy goods and services. They will expect to pay reasonably substantial prices for those benefits, even if those prices are high to begin with, for on a mass production basis, prices must keep going down after a certain point is reached necessary to put industry on a profit basis.

Today we are all willing to patronize high-priced establishments when we have the money, because we know that in many of these we can buy goods which look better, work better and last longer than the shoddy merchandise sold in low-priced shops and frequently purchased at the expense of the laboring population, which has made them for starvation wages. The rich man's contempt for the "cheap" shop is a sound contempt, for it is based on experience with goods of quality, in many instances. In some cases, high prices are paid in order to show the rest of the world that the owner can afford to pay them. But high prices become low prices when mass consumption gets under way. People would be willing to pay high prices for the advantages of an orderly economy insuring constant markets, income and employment. Prices would be brought down continually, as long as that policy was consistent with the need for industry to make profits.

There are certain fundamental factors which go into the determination of the costs, profits and prices of commodities. Labor and material constitute prime costs. When the manufacturing overhead is

added to these, we arrive at a cost of production. The operating cost of a commodity is the cost of production plus the expenses of selling, delivery, advertising and promotion, administration and financial costs for credit. To this operating cost is added the profit, or from this operating cost is subtracted a loss, and the result is the selling price of the commodity. In a properly organized industrial economy we shall see to it that the manufacturer is not sacrificing his profit and reducing his selling price in order to capture future business or in order to get rid of merchandise and obtain immediate cash to enable him to continue in business. Such a process is destructive of permanent values. If a manufacturer is willing to undertake the social responsibilities and obligations which all industry must undertake, we must not permit him to sell his goods at a loss, except in cases of bankruptcy and permanent liquidation and in cases where styles of goods have changed or methods of production have altered.

Few industries or business men have any accurate idea of the nature of their costs, and there has been little progress toward the establishment of uniform systems of cost accounting, which is necessary before accurate calculations can be made. Even with uniform systems of cost accounting, however, we must always take into consideration variations in costs for different circumstances in the same industries.

Once cost accounting is put on a truly scientific basis and once it takes all economic factors into consideration, we may find that what we have been accustomed to call profits have not been profits at all. For instance, the average depreciation in the United States is considerably less than 5 per cent. Expert opinion says that unless there is depreciation against our machinery of at least 5 per cent per year, anything charged below that and considered as a profit is really not a profit. It may well be that our present accounting practices in regard to depreciation and obsolescence are themselves obsolete and that technological and other advances have thus overtaken and consumed profits. In that case, as has been said, we shall discover that the profit motive, and not profits, has actuated our capitalist society.

With its rigid and for the most part unsound rules on depreciation and obsolescence for the purpose of taxation, the government has hindered the development of scientifically accurate cost calculations. Under an Industrial Commonwealth the various trade groups will perform the essential duty of working out cost accounting systems designed to reflect both the facts of their individual costs and their relation to the entire industry involved. Some progress along these lines was accomplished by the code authorities under the National Industrial Re-

covery Act. A great deal more could have been accomplished if the government had been capable of cooperating fully in the endeavor.

In the preparation of a proper cost sheet many items which now appear as surplus or undivided profits would be regarded as charges, if industry had as its goal serving the public interest. Costs in an Industrial Commonwealth should be considered uniformly along the following lines:

1. Materials
2. Labor
3. General overhead, sales expense, etc.
4. Interest charges or capital charges (fair return dividends)
5. Reserves for amortization of plant, and replacement of machinery
6. Reserves for taxes to the government
7. Reserves for payments to employees during periods of necessary unemployment, and for old age, sickness and death benefits to employees
8. Reserves for research designed to reduce costs and prices and to improve and increase production
9. Reserves for research in pure science designed to produce future industrial benefits
10. Reserves for educational funds to enable employees to develop faculties and abilities which would make them more useful in their industries
11. Reserves to enable industries to keep operating during periods of difficult times due to natural calamities or other maladjustments

If industry could fix its prices somewhat along the lines of this formula, that is about all the profit it would need. The fact is that if industry could figure its costs on the basis of the actualities, industry would, and so would our country, in that way get the greatest "profit."

At present few, if any, companies have sufficient reserves to adopt these requirements of a decent industrial order. Today even the huge steel industry of the United States has a large percentage of its machinery in an obsolete condition and insufficient reserves to replace that machinery with modern equipment. How can it or any other industry operating under the present chaotic conditions of unrestrained competition hope to take care of employees and conduct proper scientific and industrial research? Profits generally cannot be considered to have been inordinate when we consider the lack of reserves of most industrial organizations. It cannot be said with accuracy that these

reserves have been dissipated in distribution of dividends, for over a period of thirty years the average profit on invested capital has been about 2 per cent.

The just resentment against the few men who have made large speculative profits by preying upon the industrial body and benefiting by its chaos should not blind us to the fact that profits as a whole have not been great in unorganized American industry. Even the money made by dishonest or unjust means has found its way back into the productive process. Just as few industries have adequate reserves, so few individuals have proper reserves. Our entire savings bank deposits in the United States amounted in 1935, according to the World Almanac, only to about \$22,650,000,000, which means an average of roughly \$175 for each person in the United States. That is no reserve to speak of for the vast number of individuals, and, comparatively, our industrial reserves are equally inadequate. These reserves cannot be increased until our conception of cost factors is changed.

The importance of proper cost accounting was emphasized in an address by Arthur Anderson before the American Trade Association Executives' Convention on September 13, 1933. Mr. Anderson said:

Industry would do well to realize that cost finding has a far greater value than that of providing some basis for the determination of selling prices. The use and the results of an effective cost system provide management with a dependable means for securing more effective operation, for eliminating wasteful and uneconomic procedures, for promoting high individual efficiency, for better meeting competition, for currently securing information on plant operations, and generally, for maintaining control and for developing sound business policies. It is true of course that as management is provided with more dependable knowledge through improved cost and accounting procedures, this knowledge will be reflected in prices, and may go far in eliminating vicious price practices which have prevailed in the past.

Before costs can be estimated with reasonable accuracy by any industry, there must be some basis for calculating the probable production. The only way in which an industry can figure and meet its demand properly is by the coordination of the entire industry in a planned structure of production and distribution. Demand, the basic factor in production, must be managed just as a factory is managed.

After the detailed and scientific calculation of demand by the trade association experts of a particular industry, that demand could be satisfied by an allotment system, equitable to all units of the industry, which could be worked out by the individual trade associations on a "share the business" basis. In order to maintain initiative and efficiency,

it would not be necessary to restrain competition for orders. But in order to eliminate the evils of overproduction for the sake of competition, and the resulting chaos of too much goods and scarcity of orders in some localities and no goods and plenty of demand in others, an orderly allotment of production can be devised. For instance, when a particular member of an industry had fulfilled its quota of orders, it would be practicable for that member to farm out its additional orders to other efficient members of the same industry and to receive in return a percentage of the profits of the production. In this way members of an industrial group would be in constant competition with each other for business on the basis of efficiency, but they would not flood the market for the purpose of drowning efficient competitors.

With a philosophy of prices which takes into account the importance of profit, the public interest would be protected to a far greater degree than it is protected today. In the present unorganized state of industry it is common for producers to glut the market with goods produced below reasonable costs with sweated, underpaid labor. This results in destruction of the purchasing power which is necessary to make the community prosperous and to enable its members to enjoy those necessities which make up a decent existence. Workers are often given employment sporadically, with wages as low as it is possible for them to take and still maintain physical existence. Their employers are thus able to undercut the prices of their competitors who might be attempting an orderly and decent management of their industry with a fair return to all. If producers are under the necessity of conforming to basic prices, each can be assured of a reasonable share of the business, and the employees can be assured of a continuity of employment. This is a problem to be dealt with and worked out especially by producers in those industries where there is little or no uniformity of product. But it can be done, if the will is there.

In the present state of industrial disorganization it is impossible to set basic prices, because there is no assurance that individual producers are not paying lower wages or making special arrangements for raw materials or using technological advantages which enable them to take a larger share of the industry's profits than is advisable from the point of view of the entire economic community.

It would not take long to convince the consumer that decent prices are his best protection for economic security. During the period of wild price-cutting, when manufacturers were willing to sell goods at any possible price in order to get cash, regardless of whether they made a profit or not, the public was unable to buy at any price, because profits were not being made and distributed in the form of

wages, dividends and interest. That way lay certain bankruptcy with low prices a positive evil instead of an advantage. It may surprise a great many to learn that the small difference of 3 cents on a dollar shirt or half a cent on a 10-cent plate might make the difference between depression and prosperity, and the difference between a program like the one pictured here of prosperity on a permanent basis and the kind of economy of peaks and valleys that we have been having.

In an Industrial Commonwealth the consumer would be protected constantly from exorbitant prices by the very democratic structure of those bodies whose job it would be to keep industry functioning in the public interest. His interests become one with those of labor, capital and management, and he has means of obtaining true facts on production costs and reasonable profits. If these trade association bodies and economic councils prove corrupt or remiss, the consumer, the laborer or the producer has ready access to the courts. Reasonable prices, profits and costs will be determined by economic councils and passed on by courts with assurance of protection for all parties involved in the productive and distributive processes. At present, prices, profits and costs are frequently determined by unscientific bargaining, which is dependent on the wit of one individual as opposed to the chicanery of another.

The entire community is ready to realize that a fair price with a profit is as important to every member of the community as it is to the man who charges the price and receives the profit based on legitimate costs and charges for proper reserves. Today a business man reads in the newspaper that there has been a general price rise in commodities and feels more confidence in the future of industry, and then he looks at his own grocery bill and remarks that he does not know what the country is coming to. The community expresses contentment when prices are rising, and the individuals composing that community express discontent. There is no coordination of point of view and no understanding of underlying causes and effects of the various factors in our economy. Some business men would like to see a price level exactly like that of a particular year when they were especially prosperous, while at the same time others look at the prices they received in that particular year and shudder. Most business men now realize the folly of prices which are too high to command sales, but in the present disorganized state of industry they are powerless to regulate and to control the prices, costs and profits necessary to an ordered economy.

It is not nearly so important that prices should be uniform in each industry, as it is that prices should be based invariably on sufficient

provision for decent wages, civilized working conditions, and proper reserves to insure security in the future for every progressive industrial unit.

In the past profit has too frequently been regarded as quick, illegitimate return rather than the natural right of the producer. A man who wins a lucky number in the sweepstakes lottery is regarded with much the same respect as the man who makes and sells a socially necessary product. Business has too often been regarded as a game of chance, on a par with horse racing and roulette, because business at present is such a game of chance. The stakes, however, differ. We are gambling with human lives and personal welfare, and we lose more often than we win, as in every game where chance predominates. The producer creates a commodity of real value to the entire community, an apartment house, bushels of wheat or speedy automobiles. He is entitled to a proper return for his effort and for the service he has performed. That return must no longer be a subject of speculation but must be made a subject of scientific calculation. Such a profit returns to the productive process and creates more goods, more profits and the credit needed for further development.

One reason why there has been resentment against profits of industry is that we have lacked the foresight to distribute those profits scientifically in the public interest. Labor has seldom received a fair return for its major contribution to industry, and rarely has labor received from industry any profit worthy of the name. Some slight efforts have been made to give labor a participation in profits by inducing employees to purchase stock in their companies. It is important to the economy and to every unit in it that labor should receive a fair return on its effort and that it should "participate in the profits."

It is necessary for organized industry to remove the stigma from the word profit. The guilt which business men have felt about their profit is based on their knowledge that they have not in many cases gained it honestly in the sense that they have not shared it with all branches of their industry. The effort to hide profits from a government and a public which regard them as an evil instead of a necessity has resulted in a popular belief that they are larger than they actually are. In an Industrial Commonwealth there will be no shame about profits, and the crime will be the failure to make them and to allocate them rather than the ability to obtain them. In some cases industrialists have even pretended by their sales policies that they were not making profits. The implication was, apparently, that they were in business for love. Love may make the world go round, but only profits can make industry go round.

The government itself through its political spokesmen has been a leading offender in the unfair war on profits. The same orators who speak of profits as the underlying evil, demand high taxes which are collectible only from profits earned. Strangely enough they demand profits for the farmers. This cannot be because of the power of the farm vote! The tax laws are formulated with a view to getting as much out of industry as the traffic will bear, without any consideration of the state in which such a policy leaves industry. The government tax official seldom makes an effort to understand obsolescence of equipment or to allow proper deductions in taxes for obsolescence and reserves. The effort of the government is usually directed toward the futile endeavor to kill the goose that lays the golden eggs. The perpetual political talk of curbing all profits and eliminating profit, if carried to its logical conclusion, would lead to state ownership and management. And then when the state had taken over management the need for a profit would remain as under private enterprise.

The Russian Soviet government has come to realize the need for profit and has recognized the right and duty of its state trusts to earn profits on their products and services. A Communist enterprise which does not earn a profit is beginning to be regarded as a failure and a crime against patriotism. After the Soviet government attained power by means of decrying profit, it soon discovered that the highest measure of social usefulness of its own economic enterprises was the profit which those enterprises were able to earn. Sure of its power, the Communist dictatorship no longer decries profits.

Whether we call profits public or private makes little fundamental difference. With a proper recognition that all industry is a public utility in the sense of the word used to designate water, light, transportation and communication companies, the right of industry to a profit commensurate with its efforts becomes a sacred right. But our industry will be in a position to demand its right to profits and to exercise that right equitably only after it has organized itself into a coordinated structure. Order, security and abundance will result from such organized industry operating with a constant flow of distributed profit. And when we have profits of that type we shall have really established a profit system as against the profit and loss system we now have, which is so much a loss system. In our new system profits may not be called profits, but they will be the wages of economic security for all.

CHAPTER X

THE USE OF CREDIT

I. CONSUMER

BEFORE we developed the power of creating vast quantities of goods with less and less use of manual labor, men were of outstanding importance chiefly as workers and creators of the material required for existence. And men were also compelled to lead a frugal consuming life by restraining their own powers of consumption, so as to keep them below their powers of production. Since we have learned so well to use machines in our interest, a complete change has come about in the relationship of men to economic life.

We are no longer starving men who must hoard our hard-won riches for fear that the day will come when we have nothing to eat and nothing to wear. In fact, today we may have nothing to eat and nothing to wear because we have failed to facilitate the development of our powers of consumption on a par with our powers of production.

The agency by which this tragic discrepancy between production and consumption can be altered is credit. At present the tools of credit lie almost idle and impotent, waiting for men to show the creative ability to coordinate them into a vast mechanism for continuous well-being. In relation to credit and its potentialities we are at present in the same position as men were in relation to production and its potentialities before the industrial revolution got under way at the beginning of the nineteenth century. Then we had many small workshops, often operated in connection with farms, forming a collection of uncoordinated home industries. Now we have vast factories in which we have concentrated our tools of production. But our tools of credit are scattered about in city and country banks, operated by individuals for what seems to be their own private advantage, just as the home industries of the pre-industrial era were operated.

Along with this important shift in our economy from emphasis on production to need for emphasis on consumption has come a new conception of the value of a human being. We used to regard men as worth so much because they could work so much, but now we must regard them as worth so much because they can use so much. Our

economy depends for its life on how much people can use, not how much they can make, for the machine can make all they can use. A realization of the simple fact that people must be enabled to consume fully and machines enabled to produce adequately makes the value of a human being a firm economic value which cannot be overestimated. Human beings are our markets, and when we begin to cultivate them with the same creative energy with which we have exploited natural resources, we shall have a prosperous economy. Human beings are our highest form of natural resources, and with the tools of credit we can utilize them fully for their own benefit as individuals and for the benefit of mankind as a whole.

One of the keystones of this plan for an Industrial Commonwealth is the creation of new forms of credit sufficient to finance constant and increasing consumption. With the necessity for beginning at once to absorb the increase in expense of industry for wages, social security, research and technical development, it will be necessary to devise means promptly to get money into the hands of the vast number of potential consumers needed to keep our economy operating. This means of supplying credit for consumption of production must be worked out scientifically, if production is to be absorbed at sufficient pace to liquidate the increased charges on industry without increasing consumer prices radically.

In the last few years the talk of social credit, the Douglas plan and so on rests on a very proper base. The totals of all prices and all wages are inconsistent. The total of prices tends to get further away from the total of wages. The only thing that can and should properly fill the gap is credit. Credit is part and parcel of the machine technique. The "something for nothing" scheme of some of the Douglasites is, however, unsound.

Since most of those in greatest need of immediate credit have none of the old-fashioned assets, credit must be extended to them on a new type of collateral, *human collateral*, viz. potential consuming, and potential labor, power. Repayment of such credit would be technically in dollars but practically in measures of work. The individual might mortgage his potential earning power under our Industrial Commonwealth system, but his increased spending power would substantially raise his earning power at the same time. That kind of mortgaging of potential earning power is totally different from the kind we fear today. Such exploitation of human values for the advantage of human beings and society would be in sharp contrast to the usurious exploitation of human misery for the undeserving advantage of a fortunate few.

In thinking of credit for consumers and for society we must consider it from two points of view. From the human point of view, "consumer" credit will bring direct benefits in better individual and mass living conditions, with consequent improvement in the character of the human race and consequent increase in human happiness. From the economic point of view, consumer credit offers the opportunity to stabilize the industrial process and to create a fine balance between production and consumption.

Hitherto we have taken care of human beings on a minimum basis by means of various forms of private charity, public doles and community relief. But those who give charity and the community which gives doles and relief will never be secure or happy in their possessions until such time as we begin to take care of human beings on a maximum basis of increased credit and profit for their labor and services.

When we examine our economic history, we see that the value of our commerce and trade has reached its present proportions only because credit was developed for growth and progress as fast as inventive genius provided our industrial machine with new powers. Practically no commercial units can develop except on a credit basis. Even retail stores whose customers pay cash must use commercial credit to cover the lapse of time between their own purchases and their sales, and to raise new capital for expansion and development. So it is with the individual and the mass of individuals. People rank at least in equal importance with the machine, the factory and the store, even when considered hard-headedly as so many consuming robots. And we are beginning to realize that the human being needs credit and time to show a profit, just as the retail store needs credit with which to buy its stock and time in which to turn that stock into a profit. Since the machine has developed and its productive capacity increased at such a great pace by means of credit, it is a logical deduction that those by whom the machine is operated and for whom it functions can catch up with its pace only by obtaining credit, established on a scientific basis and related to machine production.

We have come increasingly to recognize that all people come into the world with a title to a certain heritage of goods and services as their share of the common past of mankind. Politically, we have granted new generations without question the rights and privileges which their forebears strove to attain. Economically, we must also grant every one the larger benefits which men have gained after great struggles. Political liberty without economic benefit is a hollow blessing for the average man, and to tell a beggar that he was born free and equal is of little use to him.

It is common to hear people say that a child has a right to proper food, shelter, clothing, education, medical and personal care. Why? It is not because of anything the child has been able to accomplish by its own physical or mental efforts, but because we all tacitly assume that children—the consumers and producers of the future—have the right to benefit by the struggles of their immediate and remote ancestors, and to obtain their training at the expense of mankind until they themselves are in a position to contribute to the heritage of mankind. We extend credit to children on a long-term basis, thus expressing our confidence in the productive and creative powers of a new generation. It is time that society also expressed confidence in the adult human being and extended credit to him, based on his future productive powers, in sufficient quantity to enable him to maintain himself in comfort and security and to place his offspring in a position to create—in short, to give him adequate consuming power.

If we need further endorsement of the title of every individual to an optimum, we can find it in the very existence of civilization, in the fact that from generation to generation and century to century, a great percentage of mankind has displayed the energy, the power and the ability to maintain itself, to make some progress, and to rear succeeding generations. Although there have been frequent set-backs due to unnecessary wars and presently avoidable starvation and disaster, mankind has made great progress, in spite of the fact that it has not yet made a concerted, coordinated effort to finance the consuming power of its individuals.

Profits, the savings from those profits, and the credit available from those savings, have created the present progress of mankind. But that progress has been meager compared with what we are capable of attaining as soon as we have evaluated human beings fairly, coordinated their value and worked out a scheme for credit that will open up new worlds for men to conquer. In 1936 in the United States there is no one either in industry or in government who has attempted to work out a national plan to put into use the 280 billions of potential credit which, according to an accredited investment service, are now available, in order to finance the consuming power of the people. The total of such credit in 1929, according to the same source, was 55 billions.

It is odd that heretofore we have been willing to evaluate economically the individual, human worker only when he lost his life or suffered damages for the rest of his life in an accident. The heirs of a human being who is killed in an accident, sue to recover the damages for the worth of the remainder of his life, and in court proceedings of this nature the earning power of the victim and his

ability to provide for his wife and children are given careful consideration in fixing damages and thereby estimating a particular individual's economic worth. Life insurance is also a private form of evaluating human beings economically. But the time has come for us to create yardsticks for living human value instead of destroyed human value, and by the use of those yardsticks we should advance credit to each individual for the purpose of developing his own life and usefulness and those of his family and his community to the fullest extent. In another way, what does it profit a man to mortgage his life and restrict its enjoyment in order to make a nest egg for his old age when 95 per cent of the time he does not achieve old age and gets little if any satisfaction out of the nest egg he may accumulate? The cart is certainly before the horse.

Maldistribution is the greatest stumbling-block to human progress in the modern world, with the possible exception of war, and we know that the hazard of war will diminish when the proper distribution of wealth lessens the ferocity of the struggle between competing national economies, which leads directly to war. Maldistribution of income aggravates the major mass hazards such as physical and mental illness, old age and unemployment. Maldistribution can almost be eliminated by balancing our unbalanced credit structure. But, as we showed previously, there are not enough profits and income to give distribution in sufficient quantity to people. It is estimated that there are about 40 million people in the United States who in 1936 are earning less than \$5,000 a year, of which about 30 million earn less than \$1,500. These 40 million would get very little additional income if the income of all those receiving over \$5,000 were divided among them. The putting of billions of consumption credit to work would create the increased profits necessary to bring about a more equitable distribution of income.

Our industrial process is a combination of wage-earning, profit-making, saving and investment. Investment is the important means by which we put out for creative and developmental purposes such amounts of our profits and wages as are not needed for current living expenses. All of these factors in the economic process have been necessary to our growth, and without any of them our efficient industrial machine could not have been built. Mere wage-earning and profit-taking would have kept us constantly on a current subsistence level, without the means for improving and increasing our equipment. Investment, which is the extension of credit by those who have savings to those who believe that they can make profits, has been an integral factor in economic progress. Savings alone in some forms would not have created such progress, and in this connection it is interesting to

contrast our civilization with that of some Oriental peoples who put their savings in gold, silver and precious jewels which are dead, static wealth, with a possible exchange value, but with no stimulus value to the economic process.

Our wealth, instead of being expressed in the form of dead metals and unproductive precious stones, is expressed in terms of money, which is merely a token of wealth and not wealth itself. Money, as the symbol of our wealth, must function; it must procreate, gain a profit, and fructify the creative economic process. "Money," Henry Ford has remarked, "is one part of the bookkeeping system of society. It may represent wealth, but it is not wealth itself. Take this company. Every one knows it is a wealthy company. What does its wealth consist of? Money? Certainly not. Its wealth is made up of productive plants, machinery and the rest of the things that go with them. . . . Today life has become so complicated that goods and work are exchanged for dollars which are claims equivalent to the wealth produced."

What we have, then, is not money, but value, usable goods, structures and services, which value we choose to compute in terms of dollars, pounds, francs or rubles for the sake of convenience. But money as the expression of value has an effect by the velocity with which it moves in the form of credit. In times of depression, when business is disturbed and employment slack, money moves sluggishly and cannot help to create value. When the outlook is encouraging and business is prosperous, the velocity of money increases tremendously. Hoarded money and idle deposits are symbols of maladjustment between production, consumption and distribution and at the same time are indications of a lack of proper credit machinery for the productive use of sluggish money. When people have an established credit standing and a productive position in industrial society, their incentive to hoard money disappears, and they are only too anxious to permit it to be used in the form of credit to insure their own continued prosperity and that of their community.

In our money economy the command of credit is the command of labor and materials. Those possessing extensive wealth or credit, based on money as the symbol of wealth in goods, being wholly unable to consume all of their wealth in the form of usable goods and services, want others to use that wealth in the form of credit, for a great profit. This is far more enriching than to let the wealth lie idle and unproductive, like wheat in a granary, cotton in a warehouse or meat in cold storage. Such use of other people's wealth in the form of credit would be vastly enriching to the consumer of credit as well as the owner of the wealth if the price of that credit were not highly disproportionate

to the tangible holdings and the profit expectancy of those who use it. Our economy has been having a difficult time on account of interest rates, because money borrowed at 6 per cent doubles itself approximately every twelve years if compounded. And this means that industry has had to stand that cost, which was far out of line with the low return on industrial capital generally.

Those who could command labor and materials by the use of accumulated wealth and the extension of credit have always aggrandized themselves by the exploitation of human beings and natural resources. In earlier times slaves, serfs and soldiers mined gold, raised crops, fashioned articles and captured land for the use of kings and nobles. Today workers, technicians and managers mine gold, raise crops and fashion articles on a mass production basis with the use of money supplied through bankers by a multitude of investors or by groups of wealthy individuals—with the bankers and such individuals in control. Unfortunately those who dominate and control are rarely bankers and men of wealth who have a modern social sense. Where they do have such sense the best results are often achieved. The process of exploitation of labor and materials through the command of credit has in most cases gone on toward the same uneconomic, selfish, individualistic ends as were pursued in the past under more primitive and barbaric conditions, and with resultant disruption and maldistribution.

We have all given up belief in the divine right of kings, but we have clung to a belief in the divine right of money. We have come to expect that because it was *sometimes* possible to rent out money (symbolic wealth) at an attractive price (high interest), that money not used currently for consumable goods had a natural right to multiply itself without end—as though dollars were by their very nature like a herd of cattle or a field of grain. Up to about 1931 we insisted that money bring in its profitable return, no matter what else took place in the industrial process. Even if human beings were no longer receiving their bare subsistence, money had to have its due, and the paradox of the situation was that money could not earn its due and keep it while human beings were not properly empowered to consume.

Our belief in the value of money as an invigorating element, which could bring in a return when used as credit, was not wholly in error. Money could do so, if the interest rates were low enough to enable industry and individual consumers to use the money at a fair return to themselves as well as to their creditors. But money could not be used profitably at rates disproportionate to the ability of the population to make profits and wages from its use. The potential earning and consuming power of credit must always be greater than the cost of

the credit extended. When the weight became too heavy—when the symbolic wealth controlling labor and materials became too great in proportion to real wealth in the form of production and consumption of usable goods, and too much controlled by and for the benefit of a few—then the entire credit structure broke down.

Few bankers and business men have accepted these obvious facts, and they were happy only when they were obtaining a personal or a corporate profit, no matter what the consuming power of the entire nation. Bankers have seldom prided themselves on low interest rates or business men on their high payrolls. Credit, like other commodities, can earn more money on a mass-consuming basis than it can at high rates, when its use is necessarily limited and its profitable return uncertain.

Only when both goods and the money to buy them are plentiful and available because of the assurance of a reasonable return is our economy in a healthy condition. Wars unbalance our economy by creating an artificial demand for destructive purposes, financed by governments' use of their great concentrated credit. War prosperity in an economy corresponds to the feverish flush of a tuberculosis patient, or the overstimulated activity of a drug addict. We can create a regular and healthy balance of production and consumption only when industry itself, organized on self-governing lines, distributes a steady stream of credit for industrial purposes and not for political or war purposes. This stream must never be too great or too little and must be regulated by the assurance of a reasonable return. It must function much as the blood stream flows through the human system, without overstimulating any parts of the body and without undernourishing any parts of it.

There was a time when only kings and nobles could get credit, based on their possession of land or natural resources. Later, when an industrial civilization had developed, managers of the machines and managers of labor and materials were able to command credit for the manufacture of consumable goods. Finally, wage earners were considered entitled to credit, for the purpose of financing their consumption of new or necessary goods. This extension of credit to wage earners took the form of the "deferred-payment plan" or "installment buying." It was not a social project, but a scheme for building additional private business. It reversed the age-old custom of the borrower taking his collateral to the lender and asking for a loan. Instead the lender took his radios, automobiles, refrigerators, furniture and homes to the potential purchaser and urged him to accept an obligation to buy them and pay for them out of his future earnings.

This process was frequently carried beyond the point of safety and balance and a reasonable expectancy based on the purchaser's income from wages and salaries. This is to be condemned chiefly because of the unscientific approach to the use of consumer credit. Those who operated the deferred-payment plan were not much interested in where the *mass* of their consumer-borrowers obtained the money to pay for their loans and to take title to the goods which were the collateral for those loans. The installment salesmen were interested only in seeing to it that their *individual* customers got the money for their payments by hook or by crook. The same was true of those who extended personal credit through various types of loan organizations.

Although the amount of consumer credit advanced by the deferred-payment plan and by personal loan organizations was only a small proportion of the credit advanced for foreign loans, domestic investment, stock market speculation, real estate speculation and manufacturing adventures, still such consumer credit reached very great dimensions—approximately three billion dollars in 1929 alone. Since the World War the consumer credit industry has come to rank approximately tenth in terms of investment among the twenty leading industries of the country.

The cost of consumer credit to the individual has been exorbitantly high. An ample provision to cover the ratio of loss was figured in the interest and charges the consumer-borrower was asked to pay. Since unemployment was almost always the cause of borrowers' failure to pay for installment merchandise and personal loans, the consuming borrowers as a whole had to absorb the losses due to the laying off and dismissal of workers by companies. These risks were figured in the original prices and charges. The costs of consumer credit as it is sold at present are also necessarily higher than the costs of commercial credit, because of the cost of investigation and collection services. Also the fact that credit for the consumer is a comparatively new conception has made the cost of such credit higher, partly because of the deep-rooted conviction in our present economy that credit should be available primarily for production only. This attitude was maintained even in the face of a disastrous underconsumption, which was making production no longer profitable.

The capital market has continued to regard consumer credit with suspicion, not to say distrust. Even consumer credit organizations of the better type have been regarded in the capital market as "lesser breeds without the law," and as "glorified loan sharks." During 1933, '34 and '35 while the banks were gluttoned with an abundance of cheap credit for

production enterprises, comparatively little commercial credit was available for the profitable business of financing consumption.

It is interesting to note in this connection that the consumer has kept his obligations admirably. During the period of vast overexpansion of credit for production, in which heavy losses were suffered by the creditors, consumer banking has emerged with negligible losses. The consumer credit organizations have a far better record than the commercial banks. The Morris Plan, for example, which in twenty-three years loaned three billion dollars to fifteen million individual borrowers, reported that only 2 per cent of endorsers or co-makers were ever called upon to make good on the loans they endorsed. The credit losses of the Morris Plan system averaged less than $\frac{1}{2}$ of 1 per cent, a loss ratio below either state or national banks. Other licensed consumer credit agencies have reported the same ratio of losses. The charges for loans would seem to show a greater amount figured for that purpose.

It became apparent during the years of the depression of 1929 that the traditional policy of providing almost unlimited credit for the producer and drastically restricted credit for the consumer resulted in a dangerously low volume of mass purchasing power. The present credit system for production tends only to build our economy into a machine for piling up goods which cannot be purchased, and which must earn profits on the capital invested in them. The regular banks are still not interested in the consumer as a risk, with the exception of a very few companies, which have found that business safe and profitable.

The emphasis has therefore been upon control of production as the traditional remedy for a financial crisis, instead of stimulation of consumption by credit as a cure for economic stagnation. Drastic control of production has been advocated both by those who believe in so-called *laissez faire* and those who believe in industrial planning. The rate of plant expansion has heretofore been determined by the rate at which credit went into productive activity, and practically no attention has been paid to the potential purchasing power of the mass of consumers. Heavy competition for the consumer dollars in existence was the result, and no effort was made to insure that there would always be consuming dollars in existence through credit mechanisms. The total sum of all wages is less than the total price of all finished goods.

Gradually the producers, the industrialists and managers of capital have turned their eyes toward the consumer, but the bankers still have their eyes on the producers. Managers of industry must realize more and more that the solution of economic difficulties lies not so much in the curtailment of production as in the stimulation of consumption.

Credit is the only force that can be used at present for such needed stimulation. If we can get the mass of consumers working full time to satisfy their wants, we need never worry about production problems in any but technical ways, which are comparatively easily handled.

In an Industrial Commonwealth organized and functioning as explained in Chapters VI and VII, a concerted effort will be made to assure continuous employment, which should be successful when coupled with the principles and practices of credit extension explained in this chapter, whereby each individual in the industrial community will have a definite and certain economic value for an ascertainable number of years. This value, of course, will be subject to constant adjustments on a performance basis, and the risks will be covered by insurance for health, accident and death. A man's economic value will be based not solely on his personal character and ability, but also on these factors as they are related to the value of the whole economy, estimated scientifically. With the individual's earning power and his consuming power definitely established, it will be logical to make that individual the recipient of a large volume of credit at low rates of interest, based on assured profits to industry, assured wages and full employment.

The value of a human being must be raised to a higher level than the mere value of the price at which his labor can be bought. As machine labor is cheaper than man's labor, a human being cannot compete with the machine if he is paid the mere market price of labor. The real value of labor can be estimated only on the value of a man to the industrial community as a consumer as well as a producer. Once the value of a human being as a consumer is recognized and computed, he is subject to the use of credit, just as business is after rating from a credit agency. Beginning with a study of the percentages of value contributed by certain kinds of labor with particular wage ratings, and the percentages of value consumed by labor, and proceeding through a study of the past and present status of demonstrated individual capacities, it will be possible to estimate with a high degree of justice the value of a man as an economic unit, and to estimate what proportion of income and credit he should receive. In all such calculations, of course, a certain percentage must be allowed for intangibles. Since we all display unpredictable qualities in the course of our development, the economic and credit status of individuals should be subject at all times to review and revision.

Let us assume that a typical electrician in the General Electric Company's plants earns \$50 a week. His life expectancy is, let us say, twenty years. His total earning power on that basis would be \$50,000.

Assuming that he is a person of sober habits and a technician of average ability, whose value to the General Electric Company will increase as he gains greater experience and incentive and as the company prospers and develops, it would seem logical to entitle him to negotiate credit for one-half or one-third of his labor power expectancy of twenty years in the form of a loan at low interest rates. Such an individual might receive credit in loans to the extent of \$15,000 to \$25,000, with which to buy a home, to equip it with the products of his own company and other companies, to educate himself and his children, and to give them proper necessities and recreation. Such credit would enable him to buy not only the products of his own company, but those of industry generally, which in turn would increase his own ability to repay his loan and at the same time would increase his value to the general prosperity of industry.

Multiplied by millions of industrious, capable workers such a situation would create vast purchasing power and practically assure continuous prosperity. The problem of what should be bought with large individual credits is something that intelligence, integrity and experience will best teach us. The resulting prosperity would bring higher and higher wages, reduced hours of labor and continuous employment. Credit would spread with the spread of prosperity and keep the industrial machine occupied longer than we need now worry about.

Today if such a mechanic or electrician needs a sum of money, he can by applying to a personal loan agency obtain a loan, but the rate of interest he has to pay is too high, and the amount he can borrow is calculated for a short term and is too low to improve his position materially. Such personal loans are now used largely for emergencies or for limited personal wants. Applying the system of personal loans on a scientific basis and making it an industrial mechanism of great value to the entire population would be as practical and safer than the present system of extending short-term loans at high rates of interest. Intelligent lending for home-building alone on a scale such as we should have would keep millions of our people employed for years. The plan presented here is thus a large-scale, long-term extension of the personal loan system on a coordinated and organized basis. It is not a visionary project, but an extension on a national scale of a scheme now operating on an individual basis in a haphazard fashion.

Those technicians and others who happened to develop a gift for executive management or for scientific work would be able to command increased credit as they advanced themselves in their companies. Thus there would always be great incentive for continuous interest in the welfare of the worker's particular company and industry. If for

any reason, due to his personal habits or lack of abilities, a man fell behind in his work, his credit standing could also be adjusted. In a new order as in the present one there would have to be a constant shift in economic position, as individuals improved or deteriorated, but this shift would have the advantage of being based on just appraisals of merit and achievement instead of on chance, favoritism or haphazard conditions beyond the control of the individual worker or executive. Why should the president of a bank or the officer of a corporation be able to borrow sometimes millions to finance his wants or desires, which may be and usually are out of all proportion to his income or salary, and why is not the honest-to-goodness earning power of the average man good enough for a reasonable amount of credit so necessary in the aggregate to the proper balancing and functioning of our machine civilization?

It would be a simple matter to devise banks or other credit agencies for the distribution and collection of such credit. A credit bank for the workers, management and technicians of each industry or division of industry or group of industries could be set up, and the capital for such undertakings would eventually be furnished by industry itself. In the early years of the plan it might be necessary or desirable for the government to assist industry with capital for such consumer credit endeavors. Today the government extends vast sums of credit to industry, but much of this has been spent haphazardly for production enterprises and not to finance consumption directly and thus permit consumption to take up the slack of production and keep production profitable. For the government to back industry in a scientific plan to raise consumption by means of credit and to keep it at high levels, would be a more logical and a safer way for the government to use its vast credit resources. Industry alone can calculate the credit values of its individuals and its projects. The government would thus be using its resources without the prevalent waste in bureaucracy and inefficiency, with incidental political corruption.

There are good examples of the consumer credit principle in practice today. "Credit unions" and "baby banks" have been operating for many years. These are cooperative lending and borrowing societies operating among people with a common basis of association or living closely in the same community. The first of these credit unions was established abroad as early as 1848, and in 1909 the State of Massachusetts licensed the first credit union in this country. In May, 1934, there were 2,350 credit unions in the United States, with more than half a million members and a pooled credit power of more than \$65,-

000,000. The Federal Credit Union Act of 1934 gave a great impetus to this movement.

The poor need credit more than any other part of the population and, if they are assured of regular employment by a responsible industry, are the best risks for it on a business basis. It might break our economy down completely if the wages in the low brackets were by an all-powerful, unconstitutional, political President suddenly increased from \$1,500 a year, let us say, to \$3,000 or \$4,000 a year. But it would "make" our economy if by the intelligent use of consumer credit over a period of time we made the low-wage-earner a high-wage-earner and a higher type by his own powers of consumption.

The poor have the one thing which makes for real industrial prosperity, consuming power and consuming needs on a large scale. Their consuming power is the greatest in the nation, and therefore it is this group that is potentially the greatest benefactor of the machine age, once it is properly financed. Credit, which was the instrument to raise the nation out of national poverty by making real the railroads, steamships and other now vast necessary services, can also be the means to raise the millions of individuals out of want and at the same time to assure industry the huge consuming power necessary to its healthy existence and continuous expansion. It is both the right and the duty of industry to become its own national financier, and to place itself in a position to supply a steady flow of credit to its own workers-consumers-customers. Incidentally, poor men who later became very wealthy in the United States have proved excellent credit risks, and we have only to look into the lives of Schwab, Carnegie, John D. Rockefeller and others to learn how valuable for industry as a whole and for their particular creditors the extension of credit to them was at a time when they needed it to build their vast enterprises and bring into fulfillment their large ideas.

Careful, detailed study, research and technical financial planning will be required before the most suitable plan is evolved for the management of consumer credit, but a consortium of industry, assisted presently by the government's agencies, can soon place consumer credit in operation by extending the functions of the present organizations which dispense it and by creating additional agencies required for it.

The credit program of an Industrial Commonwealth would not be a dole or a charity, nor would it result in policies of punishing the machines for their productive power. Instead it would be concentrated on the objective of keeping the productive machine in continuous use for the constant development of human welfare. All people with "productive" consuming power and the character to realize their obligations to

a community of industry which feels definite and constant responsibility for them would be the recipients of credit in an Industrial Commonwealth. Every dollar advanced under such a system of productive credit for consumers would be more than repaid by the wealth which its use would create. That is the magic of industrial consumer credit intelligently used and coordinated with the entire industrial process. It would differ as much from credits advanced for war purposes as knocking down a city does from building a nation. War credit creates only temporary prosperity, just as drunkenness creates temporary elation, and both have their price in the misery of the depression which inevitably follows rapid and artificial stimulation. Hitherto most of our organized credit ideas have stemmed from experience with war credits. But credit must be placed on a firm, permanent peace-time basis to insure national welfare and prosperity instead of being geared solely for the attainment of fruitless conquests.

2. INDUSTRY

The idea that industry should stand behind the credit structure and finance the consumer is really only an extension of what it has been doing in an unorganized way for many years. In theory industry has been standing behind all it sold—from the performance of machinery to watered securities. In its financing by deferred-payment plans, industry has been the sponsor of the individual's ability to pay. If the individual is unable to do so, the manufacturer, distributor or finance company suffers. Therefore, for industry to establish a scientific method of assuring that its borrower-customers will be in a position to pay on a mass basis for the huge volume of products they consume and can potentially consume, is merely the next logical step in credit technique.

The balance sheet of every large corporation today is an expression of credit. The obligations to its stockholders are only a symbol of the credit faith of those stockholders. Every man's bank balance is a form of credit mechanism. Each depositor extends credit to the bank, just as the bank takes the credit he has extended and offers it as credit to manufacturers, personal debtors, real estate operators and others in need of funds to finance their future prospects. Thus every form of financial transaction in the modern world, from the piece of paper called a dollar, in a man's pocket, to the piece of paper called a mortgage, on his farm, is a form of consumer credit extended to him and by him.

Implicit in any scheme of credit for consumers is the necessity for constant, assured earning power, which should increase steadily. Un-

less profits of industry are shared with the mass of the population and wide distribution is attained *via* wages and profit-sharing, any plan for consumer credit will merely help to produce another boom and another drastic slump closely following that boom. If the income of the mass of borrowing consumers rises as their consumption of credit increases, the income and credit of the population will maintain an equitable relationship.

It is probable that if we would set out at first on a less ambitious program of consumer credit, and give every human being merely a slight increase in credit value over his present position, the requirements of the population, financed even in this way, would keep our productive machinery busy for some time.

The adoption of this plan would cause a shift in the present emphasis on saving and investment. Instead of toiling to save and invest, thus gaining his stake in the economic process, the worker would by the assurance of a firm status in industry be able to concentrate on work and living. Organized industry having accepted a responsibility for the worker because his welfare was its prosperity, the worker would not have to struggle to accumulate small savings and subject himself to the hazards of speculation and chicanery which are characteristic of present finance capitalism. Financed by solid credit coming from their own industries and based on their own work, men and women would find themselves in a safe financial position with a steady, regular financial life, comparatively free from worry and hazards. There would then be less urge to set up unnecessary duplication in business in order to enable finance to absorb the surplus savings of people and make use of them at all hazards. There would, however, still be plenty of opportunity for people who had surplus capital or who wished to save and to deny themselves present luxuries and necessities to invest their savings in an ever-expanding industry at reasonable rates of interest.

Consumer credit could also be covered by insurance for the borrower which would protect borrowers, lenders and industry generally from the great hazards to which they are subjected at present. With security assured and the common risks provided for, the average man could concern himself more with the enjoyment of life than with deprivation and the amassing of money-power for the sake of a mythical future.

Even if we could no longer count on colossal new industries, such as railroads, automobiles, radio and aircraft, to pull us out of financial depressions, if they in themselves ever did, we have boundless opportunities for finance and labor in the continuous development of those agencies which we already possess and the constant encouragement of new ones. The power to raise ourselves to great heights of well-being

and to add to our present equipment is with us, and the lubricating power we require to start the process and to keep it in motion is credit. Credit extended for the purpose, for instance, of modernizing the railroads and building a network of express automobile highways above them, as well as airplane landing fields beside them, with interest at one per cent and an additional per cent for amortization of the loans, might be fruitful of demand for our products and labor, and it would pay for itself many times in the trade it would create. The cement, steel, automobile and other industries which would profit enormously by such a project would be able to place a percentage of their profits aside for the refunding of interest and amortization on the loans required to create their prosperity and new markets.

The present Roosevelt administration attempted to mobilize the public credit resources of the United States, but no one has yet mobilized the credit resources of industry as a whole and of the entire population. Industrial credit can be mobilized scientifically only, as heretofore suggested, through the channels of trade associations, whose members have intimate knowledge of the credit worth of units in their industries. They alone have the facilities for obtaining accurate data on the requirements of industrial units. The recommendations of trade associations would give local bankers as well as those managing the larger aspects of the credit program reliable data on which to base the extension of credit for industry.

Under an Industrial Commonwealth, with a National Economic Council representing the various phases of the industrial process, credits could be advanced to individual businesses with the approval of the trade association groups of which such businesses were a part. Such credits could carry the individual units along until such time as the general program for industry was under way, and they could also be used to develop better machinery, manufacturing methods and working conditions in order to place the backward units on a par with their more advanced associates in industry. Each industry should also be enabled to borrow to provide the necessary high wages for its workers and the necessary unemployment, accident and health insurance, until such time as the renovated economy made those units independent of further aid. This becomes possible when the industries of the nation are geared to one goal and are not anarchistic.

The financing of industry would have to be performed on the basis of a great reduction in the interest rates and a substantial, general increase in profits, so that industry would be provided with the necessary return with which to amortize its loans and to take care of depreciation costs while engaging in a program of general technological

advance. This program of credit and coordination could be accompanied by the reduction of hours of labor as well as the increase of wages of labor. In each trade association group the decisions on credit extension could be made with the advice of the labor group, the consuming group and the production group.

With credit coordinated and managed wisely for the industrial process as a whole and for the development of individual and general economic security, interest rates would tend to fall. Low interest rates have always been a concomitant of plentiful money, and with industry assured of a fair return for its efforts, business would get on a permanently sound basis and money need never become scarce. In a civilization with security as its basic principle the relative degree of security determines the amount of interest to be paid, and people are more anxious in the end to be sure of their principal than to have an uncertain promise of high interest. Changes in the usury laws to provide for radically lower rates of interest would be sure to come after the coordination of credit and its proper use.

Just as the manipulation of credit and currency to the detriment of industry as a whole should not be practiced by the government, so it should not be tolerated by the securities exchanges for the personal advantage of a few. Under an Industrial Commonwealth industry will control securities exchanges rather than permit them to dominate industry, as has been the case in the past. We have seen the great importance of credit as an invigorating force in the economy of the country, and we can see how necessary it is for this vast credit power to work for the benefit of the whole economic process all the time rather than for the profit of a small percentage of the population at sporadic intervals.

The stock market is, as the name implies, a market-place for the rapid exchange of securities. It can never be, in the economic sense, a wealth-producing agency, but merely the office mechanism for exchanging tokens of wealth already created by the productive, profit-making endeavors of industry. It is essential that there should be a reputable market-place for its securities. But mere trading in wealth tokens to produce wealth is a parasitical growth on the industrial process, and when it is indulged in by corporations and individual speculators it can turn into a form of industrial cannibalism.

Instead of distributing surpluses in profits to their wage earners to create valuable purchasing power, industrial corporations during the boom era of the late nineteen twenties placed these surpluses in their own securities and those of other corporations. It was estimated by the Senate committee investigating Stock Exchange Practices that twenty billions of dollars were thus used by large corporations in the

United States on the New York call money market. By this process these corporations created an artificial market for their own stocks and for those of other companies. If such corporations had been willing to lend their surplus funds at low rates of interest for further economic development of the country and for constructive credit to employees, instead of creating artificial demand for securities, they would have created real demand for products and their own returns would have been enormous in new business and in interest on their money. Wealth is developed by promoting consumption and not by manipulation.

The government has made efforts to regulate securities exchanges since the revelations of stock market practices, but it has not been able to do so without hampering the activity of legitimate market processes. This is one more indication of the necessity for reform of industry and finance to come from the coordinated structure of industry itself instead of by imposition from without by government edict. The National Economic Council established by the Industrial Commonwealth would be in a position to give the necessary full publicity on stock and bond issues, after careful study of the advisability of financing by new issues of stock on the part of the component parts of the industrial structure. Such a service would be invaluable to the investors of the country and to its economy. The issuance of securities is closely tied up with the general problems of production control and consumption expansion, and they cannot be left outside a system of proper industrial coordination.

Under this plan of intensive industrial management the tendency would be to curb all speculation in industry's life forces. In a society of assured profits, which would not be subject to violent and destructive fluctuations, the stimulus to speculation would be greatly reduced, and the stock and commodity exchanges would then occupy their rightful position as markets for disposal of securities and for hedging operations instead of glorified gambling casinos. In the future gambling with the country's vital credit cannot be tolerated.

In the future also the investor, whether stockholder, bondholder, mortgagee, savings-bank depositor or holder of life insurance, must gain a new conception of his position in the industrial process. He must remember that he is a consumer entitled to credit based on his assured earnings in wages or salary, and that as such he is of prime importance to the economy. The era of finance capitalism is nearly over, and investors large and small must submit to an industrial capitalism managed in the public interest, if they wish to prevent political revolution, followed by confiscation and destruction of the industrial mechanism. Whether bankers, brokers and others interested for their

personal immediate profit in the finance process advocate or oppose such an Industrial Commonwealth, it will come eventually, with order or after violence. But those who have been operating in finance are in a great position to help it by the intelligent use of the credit mechanisms. The program can be retarded by the opposition of short-sighted financiers, but it cannot be dispensed with by industry.

3. GOVERNMENT

Money becomes a factor for serious disturbance of the economy when it is used as a fulcrum for political manipulation of economic forces. Currency inflation and manipulation for political purposes merely benefit money changers and speculators and politicians in search of votes. It is difficult to convince the demagogues who arise during every depression that the repudiation of debts by means of making money worth less seriously hurts only the wage earner, the insurance policyholder, the savings-bank depositor and the other millions of incoherent men and women who are trying to live securely and to save for their future. A "managed currency" in the first years of the Roosevelt administration soon became a politically manipulated currency, and such manipulation caused some damage to the economic structure of the nation, for no house is in order when the plumbers are tinkering with the pipes. Men lost confidence that their dollars would be of any calculable value when those dollars were being changed in value in order to placate special interests with political "magic."

Their relation to the gold standard is not of prime importance to the people of the United States. It is not the amount of gold back of our currency that makes for confidence in a nation like ours. Our credit will be sound so long as our people are employed and industry is earning a fair return. Gold is merely the token of value, albeit it has a certain value of its own. It is a durable, convenient metal for the transference of international credits. The President of the United States in 1934 changed the gold content of the dollar, but such a change, as a permanent policy, is like changing the figures on a thermometer—it does not change the temperature.

Meddling with the currency on the part of government or speculators sterilizes the work of management in its creative effort to use money for the making of wealth. Real money is not made by manipulation but by management and labor working together to keep up production and to insure consumption by steady income from employment. The government by manipulating the currency does, however, interfere with prices and the processes of industry. The government tampers

with the currency, because that is the only part of the economic process over which the government has absolute control—as yet. In every other branch of the economy the government must depend on the cooperation of others. But no one except the government has the right to coin money or to upset its inherent values. With all its manipulations, however, no government has the power appreciably in the long run to influence the economy for good or for evil by changing the face of its money, for the prosperity of our industrial civilization depends on the constant stimulus to production and consumption which can be obtained by a flow of abundant personal, social and industrial credit.

In its management of its credit structure and its currency, the government must not engage in practices which it is the first to condemn when they are indulged in by private individuals for their profit. The government must give its people proper information on its principles and policies with regard to currency and credit, and it must not peg the market for its own bonds through the Federal Reserve System and by means of official speculation in foreign exchange. It must not issue propaganda to stimulate confidence for a few weeks before it floats a bond issue and then, as soon as the issue has been subscribed, throw caution to the winds and spend more money than it had previously announced. Policies such as these by political governments in charge of vast credit resources cause the industrial and financial community to lose confidence and to waver in their own projects for constructive use of credit. Under such circumstances the threat of dangerous inflation hangs over the head of industry and endangers the savings and insurance commitments of every member of the population. Under the plan of a self-governing Industrial Commonwealth the government's credit position would be strengthened because of the following results of such a system to its own economic position:

1. The government's taxes would be assured, and thereby it could meet its yearly budgets and reduce outstanding indebtedness.
2. The government would be relieved of its immense relief burden.
3. The government would be enabled to reduce its enormous force of officeholders.
4. The value of the government's own material resources would be greatly increased.

The credit condition of the government is a factor of great importance to the financial foundations of our society. Commercial credit is greatly influenced by the condition of government credit, and, conversely, government credit is dependent for its ultimate worth upon the prosperity of industry and the amount of its profits, for the source of all government revenue of any importance is the profits of industry.

Because of the organic importance of government credit to the safety of every individual in the nation, the management of that credit is a great factor in our economy.

The policy adopted by the Roosevelt administration in 1933 of using the government credit to prime the pump of prosperity would have been sound, provided steps had also been taken to insure that industry would be enabled to operate on a profitable basis in order to pay the bills for the government's huge expenditures. Thus the government is cutting its own throat when it competes with industry instead of co-operating with it for the profit of both, and for the good of the entire community. The government's credit collapses if it carries a big stick under one arm and a printing-press under the other.

CHAPTER XI

CREDIT AND WORLD PEACE

ON AN international scale credit is of prime importance in preventing war and maintaining the welfare of all nations. Credit's beneficial influence upon the domestic and world economy was evident during the decade 1921 to 1930, when nearly seven billions of foreign long-term loans were floated in this country. Unfortunately, the cessation of foreign lending in 1928, partly occasioned by the diversion of investment funds into speculative channels, helped precipitate the depression and necessitated the defaults and moratoria that followed. Since the World War of 1914-1918 nations and individuals, realizing the destructive futility of military conflict, have made special efforts to prevent recurrence of war. Those efforts, however, have all been political, and just as it is impossible for one nation to solve its economic and industrial problems by political machinery, so it is impossible for the group of nations of the world to attain peace by political devices.

The League of Nations has done its best to smooth away national differences but that best has not proved competent to deal with the problems involved, for those problems were basically economic. In the course of its short history the League of Nations has been spurned by the United States, defied by Japan, Germany and Italy, and mistrusted by the smaller nations. Disarmament conference after disarmament conference has broken down, and the statesmen have gone home disillusioned and disappointed, while the army chiefs have demanded higher and higher armament burdens in the major countries of the world.

In addition to piling up armaments against one another, the nations of the world have built up tariff walls, import and export quotas and currency barricades. These may have been defensive steps taken to enable debtor nations to resist the tide of international deflation, but it must be realized that economic differences and competition engendered by these retaliatory economic measures lead inevitably to military warfare and mutual destruction, while the individuals of the world suffer horror and want because politicians are tampering with economics. The economic and political world has been suffering ever

since from the effects of what international politicians did in Europe when they drew up the Treaty of Versailles in 1919, partitioning Europe with little regard for the economics of the situation. At that time the seeds of new wars were planted in the ploughed-up soil of Europe and irrigated with national resentment.

With the outbreak of war in 1914 the economy of Europe was naturally thrown into confusion and then organized along strictly national lines, with government in control of all economic factors for the purpose of gaining victories over political enemies. Some nations were removed from the productive process almost entirely during the war, and other nations were stimulated to produce more than they could sell in peace times. The United States, particularly, stepped up its agricultural and industrial production enormously during the war years, and learned what international credit on a large scale meant for the first time in its history in order to finance its warring customers. It learned that international lending means lending and re-lending, just as is true of our internal economy.

After the war the lands which had been ravaged had to be rehabilitated, and the economic status of both the victors and the vanquished was seriously impaired. Germany's loss of resources and territory impeded her recovery, and the victorious nations eventually discovered that they were ruining themselves by injuring their potential markets for the sake of petty political spite, and in the delusion that by conquering nations they could create wealth for themselves. The only way out of the world's great difficulties after the war was by means of vast extension of credit which neither we nor the other nations had the statesmanship to generate. Instead only sufficient credit was used to take up the immediate slack in consumption caused by temporary overproduction during the war. Even that little was enough to keep the world fairly prosperous and peaceful for almost a decade.

In the United States after the war we made no constructive efforts to finance world trade on an extensive cooperative basis for our own good. We had a large agricultural and industrial overproduction at the moment, which could have been absorbed very quickly by a famished world if we had created credit machinery at a very low rate of interest for its absorption on a basis profitable to all concerned. Instead we set up tariff barriers against imports from Europe and still expected to sell our own products in Europe. For a time the deficiency was made up by the foreign loans which we did make to Europe, but neither were those loans extensive enough nor was the interest low enough to enable the borrowers to profit by them. We lost billions of dollars in potential profits in all our major commodities, and damaged

Japan has to have certain goods for her economy and cannot get the necessary credit, she must dump her goods here at any price in order to get what she needs. The minute she does that she breaks our own price structure for these goods and that means closed factories, unemployment, bankruptcies and depression.

The lack of international credit mechanism in the world gave stimulus to those intensely nationalistic political movements throughout Europe, such as Fascism in Italy and Nazism in Germany. Neither Hitler nor Mussolini would have been able to attain power or misuse it, nor would their people have tolerated the terrors of dictatorship, if world credit to build purchasing power and productive power had been extended on a proper scale to the peoples of Germany and of Italy when they needed it. When credit for their requirements was not forthcoming from the rest of the world, the peoples of Germany and Italy abandoned the international outlook and took refuge in excessive nationalism with all the manias and prejudices which such a narrow view engenders. They glorified their own countries in comparison with the rest of the world, and they attempted for a time the impossible policies of economic self-sufficiency, one of the most wasteful and unnecessary forms of economic suicide next to war.

In spite of the advertised militant domineering Germanism of the people themselves who are temporarily so conditioned, but who at heart are decent folk, the Hitler government would not and could not last if credit were made available in sufficient sums to help the export problem of Germany and thus give Germany her rightful place in the economic sun. Industrial world credit in sufficient volume is the surest protector and developer of individual freedom. Those who fear Communism like the rich and the middle class of Germany, who really are no more, would be better advised to learn about the power of international industrial credit rather than to be misled by zealots of the Hitler type.

When Russia realized the need for credit and received some credit aid from other nations, it, in fact, abandoned the vainglorious policy of world revolution, and concentrated its energies on building up production and consumption power in its own vast territory.

A world economic survey issued in September, 1934, by the League of Nations, pointed out:

Natural resources being as unevenly distributed as they are, the limits of national self-sufficiency are likely to cause a definite lowering of the standards of living wherever national policy is pushed beyond a moderate diversification of economic life. Not only raw materials, but climate, labor resources and aggregations of population and therefore of markets are too

uneven in the modern world to permit curtailment of specialization without great economic cost.

Such restriction of economy by means of policies of self-sufficiency is all the more pitiful because it is so unnecessary. In a savage world suffering from insufficient wealth-producing means we could understand the attempts of a people to become self-sufficient on a bare subsistence basis. But today with our vast power machine ready to undertake to supply the wants of the entire world population in abundance, economic self-sufficiency seems a wasteful and suicidal course. It distorts the national economy and dislocates world economy. No country today need be economically self-sufficient if the economies of all countries are willing to cooperate.

Meanwhile, every nation is devoting a huge and unnecessary proportion of its wealth to the development of its vast armament, in order to keep up its national prestige and to protect itself against the enmity in the world which nationalism inevitably creates. The world has been pursuing a course of narrow, restrictive economic measures, which constitute a prelude to war, and the nationalism and militarism which are the political manifestations of such measures, cause further retaliatory acts on the part of other nations. In the United States our nationalism manifests itself in an uncompromising attitude toward those nations which owe us war debts, and in the futile attempt to pass "spite" measures against defaulting nations, and to raise tariff barriers and credit restrictions against them. Even if we were to cancel all our foreign war loans of 1918 tomorrow and issue new loans based on economic needs, we should profit enormously in the stimulus to our own economy and the resulting effect on world trade.

Specifically, we need to make international economic agreements. The world needs, and some day there will come, a substantial break in all industrial countries between national "economies" and national "governments." These national "economies" must and will become the real "Peace" agencies of these nations. Just as units within one industry in the United States can be coordinated under an Industrial Commonwealth such as we have described, so agreements can be negotiated between the coordinated economies of the world. For example, if our politicians ceased their interference, the oil interests and the copper interests of the world could probably work out an *entente cordiale* at once. That would really protect the public interest even though it might assure profits to the companies. Thus markets, terms and conditions of trade could be worked out fairly to all concerned. Such agreements for the whole economy can best be negotiated by a National Economic Council established in our Industrial Commonwealth. At

present, intricate problems of world trade are handled by statesmen whose background and experience has been political rather than economic.

It would be possible for an economic council, acting in collaboration with other economic councils in other nations, to set up a tentative world goal for industrial development similar to the goals we have advocated for the industrial development of the United States. But above all we must have extensive and continuous use of world-wide credit to finance a goal for world prosperity on a productive, profitable basis. Then the need for tariffs and quotas, embargoes and boycotts and other manifestations of economic nationalism would gradually disappear.

Once we have organized our own industries on a coordinated basis, we shall be in a position to take the lead in furthering world trade and world peace. American industry must be committed to an international point of view, and it must do all that it can to bring about trade expansion in the world as a whole, for the prosperity of the United States, in spite of its huge internal market, can be aided tremendously and kept in steady balance by its integration with world trade movements. And our own industrial economy can be damaged materially by lack of cooperation with the rest of the world. We feel safe politically against the aggression of foreign nations because of the Atlantic and Pacific oceans, but we are never safe from economic penetration so long as other nations maintain low standards of living which enable them to compete with our goods, not only in world markets but in our own markets, in the sense of keeping prices at loss levels. We can protect ourselves from international dumping only by a policy of international cooperation. The statement can be made flatly that there is no lasting prosperity for one nation alone. World conditions, whether we like it or not, control.

American industry must first realize its position in the world and as part of the world before it can help to bring about expansion in world trade. Thus far we have not had a far-sighted point of view toward our foreign trade. Industry, within our own borders, unorganized and destructively competitive, has endeavored to carry on its business by ineffective, individualistic means, and the going has been difficult enough without looking ahead. Once the economy of the United States is coordinated, however, we shall be able to look with a unified point of view at our international opportunities and duties.

With credit as its fuel, organized world industry will be in a position to make the natural wealth and fabricated wealth of the world available to all nations according to their requirements. On a world

basis the stress must be laid on the consuming power of the peoples of the earth, for we know that we have the resources, the technique and the knowledge to satisfy a good many of their wants.

The industrialists of the world, not the politicians, must work out world trade agreements on a reciprocal basis and replace the force of arms by the force of credit. The larger business man and industrialist already directs his mind to his international opportunities. It is the desire of the trader to sell goods wherever there is a market for them throughout the world, and it is his privilege to do so. Commerce, when it is carried on cooperatively and honestly, is the greatest force for international understanding and friendship. Unfair international trade practices, largely influenced by politics, however, are germs of hatred and war. Once industry and the state have been separated, political problems alone will fall within the province of the national government, and industrial trade agreements will be within the province of organized industry.

In 1918 Congress passed what was known as the Webb-Pomerene law. This law permitted American firms to unite and work as one entity in dealing with foreign situations. The idea behind it collapsed because although combinations were legalized for foreign trade they were not legalized for domestic trade, and in every industry, like copper, oil, fur, leather or coal, foreigners were doing business in this country just as Americans were doing business abroad. The result was that we could not make reciprocal deals, which was the only way that a combination of our industries in foreign lands could be effective. When politicians make laws to operate industry, something is always wrong. Millions upon millions in taxes were never collected by this government and thousands upon thousands of jobs were never filled because American business and foreign business could enter into no agreements that had any value. After industry is committed to an international point of view and to working in the public interest, it will be able to take advantage of the opportunities presented by the Webb-Pomerene Act. Aside from the fact that a surrender of the out-moded anti-trust laws is a petty price to pay for world trade agreements, such agreements would bring world peace in the only way it will ever come.

It would be conceivable, for example, that the automobile industry of the United States, acting in conjunction with the other industries of the country through an Industrial Commonwealth, could negotiate with the countries of South America to build roads through South America in return for agreements to purchase American automobiles and to pay for them in the products of the countries served. Those

products could be disposed of by the various units of the Industrial Commonwealth, and credit for the purposes in such a plan could be negotiated through the agencies of the Commonwealth. Under our present disorganized industrial economy it would be impossible for any one business or industry to handle the vast problems involved in such a scheme.

Just as the alternative to the intelligent, extensive use of credit within the nation is drastic curtailment of production, the same is true on an international scale. The world has need of the extra 40,000,000 acres of tilled land which we used during the war, and it seems like criminal folly for us to destroy needed goods and food because we lack credit, brains and power. We in the United States, to quote no less a person than Franklin D. Roosevelt, are on a third-class diet. To cut down production is also dangerous for individual nations, because it results in loss of markets which it may have taken years to build up. As matters now stand, when we curtail in our anarchistic way our production of wheat, the Argentine can increase its wheat acreage and capture our markets. In 1936, as this is written, the cotton industry has already suffered great losses because of curtailment of production here and consequent increases in production in Australia, Egypt, Brazil and Persia, in spite of the fact that there is plenty of room for all.

In making international trade agreements the industrialists of the United States will be called upon to make an effort to strike what might be termed an international balance of trade instead of national balances of trade. Whether in a machine civilization there is ever a balance of trade, national or international, is a question not easily answered. We can say that our internal economy would be thrown off balance decidedly, if we were called upon to settle all balances in the present method of foreign trade by actual transfers of gold—a commodity constantly fluctuating in terms of various currencies. For example, as of 1935, Germany bought more goods from the United States than she sold to the United States, but she sold more goods to Great Britain than she bought from Great Britain. Assuming that the United States had commitments with Great Britain and her colonies which would make up the difference, Germany would be paid for her British sales not by money in the credit sense, but by gold which Americans in effect delivered in terms of goods or investments to the British Empire. Macy's, the Eastman Kodak Company and the United States government do not settle their balances by delivery of gold.

Our trade and prosperity are greatest when our books are not balanced completely by gold payments, and there is no danger in such

a process so long as an eventual world credit balance is reached or expected. Any other petty nationalistic course resembles the attitude of the librarian who is content only when all the books are returned and on the shelves. A grocer does not buy clothing from a haberdasher equivalent in value only to the amount of groceries purchased by the haberdasher from him. He buys what he needs and pays for it from the proceeds given him by other customers. Nations must do likewise and must realize the tremendous motive power of international credit in spreading the prosperous use of their national productive processes. The Bank for International Settlements can easily act as a clearing house for the striking of balances in international trade.

Owen D. Young and his associates in dealing with the war reparations problem in 1929 will go down in history not in recognition of the manner in which that problem was handled by them, but because they made real the Bank for International Settlements. Some day that bank will do away with our senseless way of carrying on international trade. It will act as clearing houses and Reserve banks do in our own country and thus make the course of trade easier. What is far more important, some day economic power in the shape of "world credits" will be in the hands of this bank sufficient to make it a potent instrument for maintaining peace in this troubled world.

Attempts have been made at reciprocal trade agreements both by government negotiation and by industrial negotiation, but as yet these attempts have not been productive of profitable results, because the governmental negotiations were carried on with a view to benefiting particular nations at the expense of others, and the industrial negotiations were carried on with a view to benefiting particular commodities at the expense of others. Reciprocal trade agreements, between two nations only, like clearing accords and import quotas, are destructive of world trade in that they restrict the triangular movement of commerce between nations. When industry is organized in its own self-governing commonwealth, it will be able to enter into reciprocal trade agreements on a broader basis, embracing the entire economy of the nation instead of merely its sugar, its oil or its coffee. Then profits from world trade, stimulated by credit from world finance, can be realized on the entire trade of the world and distributed to the varied economic units of each nation's industrial economy. With industry organized in the public interest domestic and foreign trade can become two major parts of one great whole.

As this is written in 1936, for all practical immediate purposes we are ahead of ourselves, but let us carry the thought a bit further. It will be possible, for example, for the National Economic Council

of the Industrial Commonwealth to set up an Export-Import Agency, which would contain representatives from each of the main divisions of industry concerned in any way with foreign trade. Technicians in foreign trade would form the administrative staff of the Export-Import Agency, and foreign representatives and experts would deal with such an agency and learn from it the problems and needs of the American economy. The agency would have its representatives in other countries to study the opportunities for the United States abroad, and the trade problems and requirements of other countries.

Individual companies within a particular industry could report to their industrial associations their needs and capabilities for foreign trade. These reports could then be taken up by the Export-Import Agency, which could put the particular company or industry in touch with customers or producers in foreign countries. The necessary trade agreements between the parties could be worked out by the Export-Import Agency, which would take into consideration the interests of the entire industrial community and the advantage to particular industries of such an agreement. The agreements need not be confined to one industry in this country, but could include in their scope groups of allied industries. It would also be possible for the Export-Import Agency to negotiate for surplus goods and to ship them to nations which required them on long-term credits, and to accept goods from those nations in payment.

The aim of our foreign trade should be to raise the standard of living in other countries as well as our own in order to create the all-important purchasing power throughout the world. By exporting American efficiency and prosperity by means of cooperation and credit, we should be constantly removing the competition of the low wages of foreign labor which is such a handicap to our competitive position in some industries. The only way in which we can protect our standard of living is by exporting that standard of living with the use of long-term credit. In that way we equalize the force of competition and at the same time raise world purchasing power and keep our own economy functioning actively.

It is not so important that loans be granted to creditor nations such as Great Britain, France, Holland and Belgium, as that they should be extended to the debtor nations, which have a population comprising about nine-tenths of the world's total. Visualize the impetus to world trade these credits would provide and, in all probability, perpetuate, as the backward peoples of the earth are given their first taste of a higher standard of living. Large loans to German, Russian, Japanese, Chinese and other similarly situated industrial units at rates of interest suffi-

ciently low to permit them to raise their wage scales would bring back both direct and indirect profits of enormous value to American economy.

Today we suffer from the competition of nations like Japan, nations which have learned industrial efficiency from us and have maintained their old standards of slave labor. It would be possible to grant loans to certain countries abroad on condition that a certain percentage should be devoted to increasing their wage scales, until the industrial world had arrived at a somewhat uniform theory of a high wage scale. Such uniformity in world wage scales would tend to create a stabilizing uniformity in world price levels, and the economy of the industrial world could be kept on a profit basis. This does not mean that we would not have low-priced goods. In fact, prices based on mass demand and mass power to satisfy that demand would soon be lower than they are today and would probably continue lower, but they would always be prices which brought a profit to the man who made the goods as well as to the man who sold them.

Such credit action on a world-wide scale could not be initiated by any individuals or individual banking units of an unorganized economy. But, with coordinated industry and finance, bankers would have a great opportunity for constructive profit on a world-wide basis. The export of capital for foreign development, and the import of capital for our own use can be encouraged safely under a Commonwealth system. At present capital lives dangerously throughout the world, because of the haphazard and careless effort to make quick profits from investments, which sometimes never should have been made, and which oftentimes pay their dividends out of the uneconomic exploitation of cheap labor. The flow of capital in the form of credit for productive purposes can be regulated properly by expert and impartial bodies, and these bodies would have the facilities for obtaining proper industrial data and for negotiating proper financial agreements.

Russia, China and India, to take only a few of the countries with less industrial development than our own, are in need of vast credit for their economic development. Such credit is now held up for fear of political difficulties, but even if we lose some of our principal advanced to foreign industries, that loss does not have to approach the loss involved in the curtailment of our domestic production and the destruction of our own purchasing power when credit is withheld from foreign nationals. By producing goods needed abroad and extending long-term credits for their purchase we are benefiting both our own people and those whose needs are great. In return we should receive the

products which can be produced specially in the nations which become our credit customers. Any imports beyond our own needs could in turn be shipped to South America and other parts of the world where they are required. Thus the United States, which is rich enough to be able to do so, could become an international credit agency for other countries as well as an exporter of its own commodities, an importer of what it required or could sell, and a friendly helpful "exploiter" of foreign resources and consumptive power. . . . Prosperity is based on abundant credit, and such credit can come only from nations like the United States, whose vast resources and efficient methods of industry have made it capable of accumulating or creating surpluses.

Russia and China also have vast potential resources, but the backward methods heretofore used for exploiting those resources have prevented even the development of what we call a low standard of living. The use of slave labor and their pitiably low wage standard have retarded the potential prosperity of those rich countries, whereas our own high standards have created the purchasing power which in turn created our great, but short-lived, periods of prosperity. With the extension of credit for the purchase of machinery and expert services and for the raising of wage standards and purchasing power, those nations would be colossal markets for our products and capital for many generations.

At present we have the paradoxical situation of abundant credit for nations like the United States and Great Britain, which do not need it so badly, and severe scarcity of credit for nations like Russia, China and Germany, which do need credit badly. Capital thus goes where it is not needed in the effort to become safe, and by lying idle or being put, as oftentimes happens, into overexpansion of highly competitive enterprises, loses its safety. Capital is most useful in working to develop the earth and to increase purchasing power constantly for its own safety. It may be said properly that China and Germany are bad risks, but the more they are helped to prosper, the more they become first-class nations and therefore first-class risks. Organized world banking or world industry is the agency to undertake the job that needs to be done in such countries.

In the United States we must learn to think in terms of long-term credit. Many of us still consider debts as something which we want to collect as rapidly as possible instead of considering them as great sources of productive wealth, which in the larger sense should never be returned so long as they are profitably employed. Our riches are great in proportion to our ability to create goods, and—what is more important—our ability to consume them constantly. We still have huge surpluses of goods and services to place on the world market, and

great power to increase our production. But we must not expect to get "spot" cash for our goods and services, and we must realize that it would be to our disadvantage to receive cash on delivery for them. For cash is idle money, or money which must seek a new market at once, safe or unsafe. The machinery, rails, raw products and automobiles which we ship to undeveloped countries are an investment which comes back in ever-increasing purchasing power. Such power, stimulated by long-term credit, is the only safe investment for our economy, and we must always be alert to keep investing in purchasing and consuming power throughout the world. But we must not always insist on seeing and touching an immediate return in gold or other money. In fact the measure of a man's or nation's financial success is the ability to amass money for investments and to make them. Investment in the foreign field and intelligent supervision should go together.

Great Britain and Germany before the war built up their vast wealth by extending long-term credits for their products and services to China, India, Africa and South America. If the war had not put a temporary halt to the onward rush of their prosperity, they would today be colossally wealthy countries, as a result of their constructive use of credit power on an international scale. One secret of Great Britain's success and existence is her use of credit power, and we in the United States must learn from her. Goods for export are made on a long-term credit basis, and they cannot be sold on any other basis. The wealthy nations and industries of the world must and will finance the poorer ones until they too are wealthy; otherwise, we have no economic security or real peace to look forward to.

Tariffs and exchange restrictions are negative weapons for needless protection in the economic field, just as munitions of war are negative weapons for physical protection in the political world. Both will fall into disuse when coordinated industry learns to manage the vast credit resources lying at hand for its use.

When we use credit extensively in our internal economy, we shall have enough to do to keep our industrial machine busy supplying the wants of our own people, but when we use credit for the development of foreign trade, we shall insure almost unlimited prosperity and development of the powers of our industrial machine. The wealth of the world can be increased many-fold by the intelligent stimulation of consuming power through world credit as nations concentrate chiefly upon those products which they can produce most economically. The wastefulness of war to gain economic advantages for particular nations has been proved vividly since the horrible World War of 1914-1918.

A great deal has been said about the fact that munition makers create and develop wars. That may have been true in prior years. But in 1936 munition manufacturers are makers of steel, airplanes, bathtubs, rayon and the like—there is no clear line of demarcation. Factories producing munitions exclusively are owned or completely dominated by the government in such countries as Russia, Germany, Italy, and not by free business men; or are so controlled by, or so controlled, important government officials, as in some of the other European countries, as to be virtually an adjunct of the government. Here in the United States, companies like Du Pont, Bethlehem Steel and others would prefer at all times a peace-time economy. There is a better and surer profit in peace and prosperity, as these companies know.

The people of the world will learn sooner or later that by the use of peace-time credit they can make their competitive struggles into peaceful agreements for mutual advantage instead of fearful catastrophes followed by death, disease and poverty. When the bankers and business men of Austria, Germany, Italy, Ethiopia and most of the other countries of the earth, thinking in terms of the business and economic interests of their nations, free themselves from the terror of their governments and deal with the business leaders and bankers of other nations, we shall be on the way to permanent peace and prosperity—and not until then.

CHAPTER XII

THE AMERICAN INDUSTRIAL COMMONWEALTH VS. EUROPEAN COLLECTIVISM

THE American way of life, based politically on the Constitution of the United States, has had for its fundamental principle the just separation of powers and privileges. Those men who formulated the Constitution of the United States realized that the most sacred possession of a man was his private life. They attempted by legislative, executive and judicial machinery to safeguard the right of citizens to a private life and to protect that right from encroachment by any form of absolutism, from the whim or tyranny of a personal monarch or from the whim or tyranny of a state.

Political rights without economic power may be considered a hollow benefit, but economic power without individual, political rights inevitably leads to both oppression and inflexibility. The complete separation of political power from the economic affairs of the community, which is advocated here, would insure the continuance of the right of Americans to a private life and a continued respect for that right. Under any machine civilization men are subject to a certain amount of regimentation, and under an Industrial Commonwealth they would still be subject to some regimentation, for the machine requires uniformity and order for its precision and efficiency. However, once a man has finished his attendance on the industrial machine, he can enjoy any liberties and eccentricities which he desires, provided only that their exercise does not result in damage to the welfare and private life of his fellow-men.

Under this plan for an Industrial Commonwealth the courts would remain as the guardians of our private lives and as the real safeguard of our liberties. They would not permit, as they do not permit today under the Constitution of the United States, any individual or any branch of the government to deprive other individuals of property, of freedom of speech or of worship, without due process of law. Any other system of economy, dominated by political agencies, would result in the destruction of the Constitution under which we live, and we cannot afford to barter our constitutional rights to privacy and individuality for whatever superficial political and military advantages

might be inherent in state control of both the economy and the citizenry.

We have stressed in previous chapters that it is impossible to solve intricate economic problems by simple political formulas, and were we to abandon our fundamental political liberties for the sake of political regimentation, we should be sacrificing to an impotent god. In Italy and in Germany, and in a different way in Russia, people have been forced to sacrifice their private liberties to the state, which has used them as pawns and robots to carry out its conception of their welfare. Such a plan of economic-political domination is completely foreign to American ideals and traditions.

As a matter of fact there is no such thing as capitalism or socialism or bolshevism in its pure state. We in this country have a sort of "crazy-quilt economic system," but we do not know what it is since it is an admixture of many ideas abroad in the world. It is up to us to determine the special direction this nation will take if we are to work out a balance between our type of constitutional government and this "system" so that an economic order worthy of the name can be given to the distracted people of this troubled world.

The systems of Fascism and Communism which have been in vogue in parts of Europe since the World War inevitably had their reverberations in the United States, for we do not live in mental isolation in this country, and since the magnificent developments of the means of communication, we have become more and more in tune with and more and more sensitive to ideas and projects entered upon by other countries.

It is worth while to analyze the forms of collectivism prevalent in Europe today from the point of view of our own plan for industrial self-government. That plan is diametrically opposed to the systems of political domination of industry which are being tried out abroad, and to some extent in the United States, and it is the conviction of the writer that forms of industrial self-government are applicable as well to other countries, which are now oppressed by governmental bureaucracy more rigid than any we in the United States have ever experienced or would want to tolerate. Those peoples who are now subjected to political domination of their public and private lives want essentially what we in the United States want—liberty, to express their genius and to develop prosperity. But although their people may have planned for it at one time or another, some European nations have lacked a tradition of freedom, the advantage which the United States has enjoyed since it set up its own constitutional form of government.

In a statement of Fascist principles which he contributed to the *Encyclopedia Italiana* Mussolini wrote:

Fascism conceives of the state as an absolute, in comparison with which all individuals or groups are relative, only to be conceived of in their relation to the state. . . .

For us Fascists, the state is not merely a guardian, preoccupied solely with the duty of assuring the personal safety of the citizens; nor is it an organization with purely material aims, such as to guarantee a certain level of well-being and peaceful conditions of life; for a mere council of administration would be sufficient to realize such objects. Nor is it a purely political creation, divorced from all contact with the complex material reality that makes up the life of the individual and the life of the people as a whole.

The state, as conceived of and as created by Fascism, is a spiritual and moral fact in itself, since the political, juridical and economic organization of the nation is a concrete thing: and such an organization must be in its origins and development a manifestation of the spirit.

It is interesting to note the naïveté with which Mussolini says "to guarantee a certain level of well-being and peaceful conditions of life" a mere council of administration would suffice. Nothing to it! And as for personal safety which to us means liberty, Mussolini seems to say "Who cares for that trifle?"

As this book goes to press, Mussolini announces the eradication of all democratic forms and the launching of the Corporative State, in which all large corporations are to be operated for the State, by the State. The announcement indicates that the step is a military move. Politics, economics and militarism seem inseparable in a Fascist dictatorship.

In Germany the National Socialist party, of which Hitler is the head, issued the following similar statement:

The Nazi state is different from a democratic state; that means, the present state has the right to embrace all forces of the country, to embrace the human beings, body, soul and spirit, and all their activities, whatever they may be.

This deification of the State as absolute spiritual and material ruler is the last word in the confusion of the means with the end. In the Fascist conception the State becomes a transcending entity, which "is itself conscious, and has itself a will and a personality," as Mussolini puts it. Men in the Fascist and Nazi State are born to serve the State in all its purposes, and the State is not created to serve men in their needs and their desires. Such idol worship has not been advocated so openly before in the history of the modern world. There

is little difference between this kind of government and the rule of the world's worst despot. The righteousness of despotism was never better expressed.

However, no state is a conscious being, nor can any such abstraction be more than the expression of the will of either a few or of a majority of the citizens of the state. Those human beings who do breathe and live within a state have desires, needs and ideas, and they appoint representatives to carry out their wishes for them or are forced by self-appointed representatives to carry out the orders laid down for them. In the United States we have always preferred to appoint the representatives of our individual wills and to compromise our conflicts for the purpose of obtaining administrative efficiency. In Italy, Germany and Russia the conflicts of policy are ironed out first by a small group of dictatorial officials, orders are issued to a larger group of administrative officials, reinforced by the military, and they are carried out by the mass of the population under pain of death or imprisonment for disobedience. Those orders from on high regulate not only the economic and political affairs of the country at large, but also the intimate details of the individual's private life, including his religious feelings and his breeding habits.

For all practical purposes the State which is deified in Italy and Germany consists of the carefully organized minorities constituting the Fascist party and the National Socialist party. The will of an infinitesimal part of the entire nation organized in a political party becomes literally the law of the land, and the courts are subordinated to that will in their interpretation of that law. Clashes of interests, sincere conflicts of opinion concerning the best means of attaining the common welfare are now brutally suppressed in Italy, Germany and Russia, and the will of individuals who have seized power by force and maintained it by militarism has become incontrovertible law.

In the United States, in England and in France the people still hold fast to the belief that they have a right to determine their own welfare without the brutal domination of any political organizations backed by armaments. Our police and military services are used only to enforce the law when that law has been sanctioned by the will of the majority, and even then the methods of enforcement are always subject to review by the courts of the country, which are the last-word guardians of our liberty. Our courts, which are the day-to-day interpreters of our Constitution and our laws, we may be truly thankful, have been administered on the whole by men bred in our traditions of liberty and freedom.

It is easy to understand why Italy, Germany and Russia have be-

come the stamping-ground for military dictators, for it is but comparatively recently that the people of those nations have gained any experience in political liberty. Russia was an absolute monarchy without any real representative government until 1917, when the Russian people, worn out by defeat in war and rebellious against the corruption and stupidity of its absolute rulers, succumbed to the dictatorship of Lenin and his Communist party. By a masterly *coup d'état* Lenin and his Bolshevik associates were able to take over absolute control of the state from the weak government of Kerensky, who was trying feebly to engraft democratic forms on a barbarous autocracy with a slave population, while at the same time he was trying hopelessly to continue fighting a major war with Germany, a stronger power. In Italy parliamentary government began only during the last half of the nineteenth century, when, through the efforts of Cavour, Italy was unified for the first time in centuries. In Germany real parliamentary government had only a short life, between the abdication of the Kaiser and the virtual dictatorship of Hindenburg a few years later. Although the Reichstag functioned under the Kaiser's rule, he himself was the final arbiter of law and had the power to overrule the will of the people. Hindenburg by his use of Article 48 of the Weimar Constitution was also able to exercise absolute power in the last analysis.

Italy, Germany and Russia, inexperienced in the technique of self-government and unawakened to the advantages of democracy, have presumed to say to the rest of the civilized world that they have discovered something better. The rest of the civilized world, having won its liberties through the hard battles which are only beginning in Italy, Germany and Russia, is naturally sceptical and hesitates to scrap the valuable heritage of centuries for doctrines of messianic faith and commands of unquestioning obedience. Those dictators—except in Russia—who are now in power in Europe have discovered nothing new and nothing valuable. On the contrary they have been able to put into practice the old forms of despotism and tyranny because the resistance of their peoples was weakened by the last war and by internal class conflicts. There may be more excuse for Russia than for Italy and Germany because in that almost barbaric country machine power was sought to be introduced as an essential to make men really free, and a strong central control was most necessary to begin with. With education in the handling of the machine and training in its technique for most of the population, Russia may well free itself of dictatorship, as the country moves further toward the kind of machine economy we have in the United States.

England began to crush the tendency toward dictatorship as long

ago as 1215, when King John was forced to grant the Magna Carta at Runnimeade. England also combated a dictatorship later when Oliver Cromwell and his associates were superseded by the Stuart Restoration. Since then political and economic liberty for its citizens and protection of their private lives have been the steadfast ideals of the English people.

France, too, experienced dictatorship during the years of Napoleon's military ascendancy. Since the downfall of Napoleon the French people have striven constantly to maintain democratic forms and to guarantee personal liberty.

In the United States we experienced dictatorship of both a political and an economic nature in Colonial times, and it took the long and difficult Revolutionary War for us to rid ourselves of British domination, for it has been a characteristic of the British people that they have not always wished to grant to their colonial possessions the rights they value so highly themselves. Now that we have attained our political liberty and economic independence, we must strive with all our intellectual strength and emotional fervor to protect them from encroachments by outworn forms of political dictatorship and spiritual deification of the State. The organized economy which has been outlined here in the form of an Industrial Commonwealth has little in common with either Fascism or Communism except the fundamental aim to attain prosperity. But in attempting to carry out that aim Communism and Fascism are going backward and using discarded forms of tyranny, while industrial self-government aims to create new forms of cooperation and economic freedom.

The Industrial Commonwealth is predicated on a system of proportional representation for every factor in the nation's economy, and as such it cannot embrace any forms of Fascist dictatorship by "capitalists," or more truthfully militarists, or Communist dictatorship by the proletariat, also militarist in the final sense, as represented by the political Communist party. The National Economic Council and the trade association groups provided for in this Industrial Commonwealth cannot represent any one interest in American life exclusively, and the Industrial Commonwealth cannot permit any one interest or group to dominate American life.

The Fascist and Nazi governments in Italy and Germany are more the result of fear of Communism on the part of capital than they are positive expressions of national will. Finance capitalists helped both the Fascists in Italy and the Nazis in Germany to seize power, because they wished to stifle the growing Communist movements in those countries. As a result, in both Italy and Germany the interests of labor

and management have been sacrificed completely to the demands of monopoly, with the state as final arbiter of the nation's economy.

In Russia the interests of labor and management have been sacrificed also to the state capitalism inaugurated by the Communist party in the name of the proletariat, although Russia is moving slowly but surely in the direction of setting up a plan involving the separation of industry and the state and giving management rights and privileges. In none of these state economies does any man have control of his conditions of labor and wages.

In so far as Russia is concerned as an example of the Communist philosophy and the Communist state, the Russian Communist leadership is slowly recognizing that the economy is something separate and apart from that of the political state. It would not be at all surprising to find Russia come out in recognition of the principle enunciated in this book that an Industrial Commonwealth be set up to parallel and share the responsibilities, rights, duties and obligations of the political state in a machine civilization.

The products of labor's industry in Russia, Germany and Italy are being used by state exploiters for the construction of the greatest machinery for war the world has ever possessed. Each of these dictatorships, afraid of each other and of its neighbors, boasts belligerently of its armaments, and both Hitler and Mussolini glorify the vigor of destructive war. The bills for all of these organized military adventures on the part of despotic political parties are being paid by the workingmen of those countries, who are asked to live on constantly reduced rations and in continuously wretched uncertainty in order to satisfy the lust for power of minority dictatorships. It is often said that there is little unemployment in dictatorship countries, as opposed to the widespread unemployment in the United States, England and France. But the reason for the lack of unemployment in the Fascist and Communist countries of Europe is that those who are idle are slaves of the state in the army or in labor battalions.

The American opportunity to display creative intelligence is greater today than it has ever been in the history of the United States. At the end of the eighteenth century we demonstrated to the world that we could establish democratic forms of government without degenerating into military dictatorship. We have never had an Oliver Cromwell, a Napoleon, a Mussolini, a Hitler or a Stalin. We fought a terrible Civil War while still maintaining the liberties of our people. It is now our privilege to demonstrate to the world that we can organize our economy without sacrificing our liberties. That is a task of great difficulty, but it is no more insurmountable than the task which faced

the young American republic in 1789, when the Constitution went into effect. At that time few would believe that the United States could survive without an absolute ruler. Today there are grave doubts abroad that America's economy can survive without the loss of American liberty.

On the contrary, America's economy, and that of every other nation in the world, cannot be coordinated and operated successfully unless the individual liberty of the citizen is maintained zealously. The road of Fascism and Nazism is the road back to the slavery of individuals to mystic delusions, the same kind of delusions which were so prevalent in the dark years of the Middle Ages. But it is not necessary to lose ourselves in fanatical worship of the State in order to gain our spiritual and material welfare. The way of the Industrial Commonwealth, on the contrary, is the way of progress which has always distinguished the thoughtful evolution of the democratic ideal. The aims of industrial self-government are toward economic freedom, with voluntary surrender of unlimited economic license, and stern maintenance of private life and individual liberties.

Those who scoff at the possibility of success for planned economy and economic freedom, fail to consider how much Americans have already given up voluntarily in their past history. We gave up the right to shoot one another at sight, in the interest of public order. We gave up the right to coin money in our own homes, in the interest of financial order. We have surrendered the right of the individual to build as many railroads, airlines, water works and electric plants as he pleased, in the interest of industrial order.

It is not unreasonable to suppose that when men realize that there are greater advantages for all in economic order, they will be willing to regard all business as a public utility and endowed with public interest. They will then be willing to surrender the present right to sell at any uneconomic price, to pay any uneconomic wages and to work men as long as they please. For many years we shall have men who break the rules, just as today we have gunmen who believe themselves entitled to shoot down their personal enemies when they choose, as we have counterfeiters who attempt to coin money at the expense of the community, and speculators who insist on the right to prostitute our economy for personal profit. But those violators of the public peace are the outlaw exceptions to the rules of law and order, and the large body of citizens can be counted on to obey economic rules as they have obeyed civil statutes.

Under an Industrial Commonwealth the people will possess in the courts complete machinery for safeguarding their rights and liberties,

and the power exercised by the administrative organs of an Industrial Commonwealth will be constantly subject to judicial scrutiny. On the other hand, in totalitarian states the courts as well as the citizens are under the domination of the dictator of the state and his political party.

Our citizens will have to conform to regulations which the entire community, after careful scientific research by bodies specially trained for that purpose and full and free discussion by any and all members of the community, has formulated for the benefit of every branch of the population. Under Fascism and to some extent under Communism, if a laborer, a manager or a consumer has a grievance, he keeps it smoldering and takes out his resentment in silent sabotage. Or, if he has a creative idea he may abandon it because it may run counter to the immediate political plans of the party in power. Under an Industrial Commonwealth if a laborer, consumer or manager has a grievance or an idea, he will find ready at hand administrative and arbitration machinery for the impartial consideration of that grievance or that idea, and for the remedy of evils and the exploitation of new plans. In the event of serious disputes the courts of law will always be functioning to arbitrate between sections and individuals in the economy.

De Tocqueville wrote: "Men are not corrupted by the exercise of power or debased by the habits of obedience, but by the exercise of a power which they believe to be illegal and by obedience to a rule which they consider to be usurped and oppressive."

It is no accident that the propagation of Communism and Fascism has been carried out with a fanatical zeal unparalleled in recent modern history. When men are not sure that they can perform their promises, they obtain faith, and they do not hesitate to use the sword to spread their particular brand of salvation. The appeal of both Communism and Fascism where it is felt sincerely is the delusive appeal of religious fanaticism applied to a field where materialism must function if results are to be obtained. As such the religious emotionalism of these two political movements has an attraction for the young far beyond the rational appeal of a planned society. Not being able to accept faith in a spiritual God, as of old, during the intense, troubled years following the havoc of the World War, and looking for something which would take responsibility for their well-being, many young people placed their faith in the hands of a new deity, offered them by the Fascists and Communists—a false god, the State.

Commenting on the lack of superficial emotional fervor in democracy, De Tocqueville wrote:

In the absence of enthusiasm and of an ardent faith, great sacrifices may be obtained from the members of a commonwealth by an appeal to their understandings and their experience; each individual will feel the same necessity for uniting with his fellow-citizens to protect his own weakness; and as he knows that if they are to assist he must co-operate, he will readily perceive that his personal interest is identified with the interest of the community. The nation, taken as a whole, will be less brilliant, less glorious, and perhaps less strong; but the majority of the citizens will enjoy a greater degree of prosperity, and the people will remain quiet, not because it despairs of amelioration, but because it is conscious of the advantages of its condition.

The welfare of the world is based firmly on a rockbed of economic facts, and the acts of men are frequently conditioned to the largest degree by their economic circumstances. De Tocqueville, who foresaw so much, was somewhat hesitant about the strength to be obtained by tranquillity. But, were he alive today, he might be willing to admit that the United States, whose beginnings he studied so ably, has attained strength and glory equal to that of any nation in the world, by means of the ingenuity which its citizens have exercised on the natural resources at their command. The exercise of that ingenuity has offered great scope for achievement and enthusiasm in the constructive fields of invention and exploration in both the physical and the intellectual worlds. In an Industrial Commonwealth we can expect even greater glory and greater brilliance, because when men are released from the bonds of needless worry over their bare necessities, they will be able to develop their personalities and their communities fully by means of unlimited opportunity for study, research and adventure in both the physical and the intellectual worlds. We need not fear that life in a Commonwealth system will be any less exciting than life in a political dictatorship, unless we regard as necessary excitement the constant fear of arbitrary imprisonment and execution and the continual danger of war and destruction.

The choice lies between a militarist world in which we are all playing at the terrible game of soldier with real weapons and a spiritual world in which we are all conquering the problems of reality by means of rational fervor. By the use of force the present dictatorial political governments are destroying potentially great statesmen, economists and workers. Only in a wisely coordinated industrial society, equipped with democratic machinery for the expression of the will of all its members, can we be sure that men will enjoy the opportunity to display and to exercise their talents as they develop.

The Communist and Fascist governments are autocratic at base,

and as such they possess the fundamental failings of all autocratic attempts at governing society. In any autocracy, in which a minority rule by force a majority subject to their will, the assumption is made that the minority is "higher," "better" or "wiser" than the majority. Such an assumption is begging the question for the purposes of attaining the power which the minority needs. We cannot yet determine with the accuracy of the horse-breeder which men will prove most valuable in industry as well as in other walks of life. Our only alternative is to leave absolutely open the opportunity to display talent.

The economic forms adopted by the Fascist and Communist states, whether they are called state trusts, consortiums under the Ministry of Corporations, or cartels under government control, are all designed to insure rigid monopoly, dominated by the military heads of the state. Such forms do not permit the flexibility necessary for men in industry to work to the best advantage, and they subject the entire economy of any nation to the political and military aims of a particular minority group in control of the nation. The aim of a Fascist or Communist society is that its citizens must die gloriously for the deity, the State. The aim of an Industrial Commonwealth is that all men may live and work gloriously for themselves and their posterity. The one exhibits an unconscious urge toward destruction and death, and the other advocates the conscious goal of constructive welfare.

Force as a means of operating an industrial economy has already proved a costly failure. Occasionally men, harassed by the magnitude of their problems, take what seems at the moment the easiest way, that of violence, whether organized or sporadic. Every revolution is nothing more than the evidence of the capitulation of man's reason to his emotion, and on the day after the revolution, men must use their reason again to solve their problems. Men are forced back into the rational forms of cooperation and mutual consent, because all men live only by mutual consent. The Russian Communist party has already learned to its cost that production cannot be commanded by military decree, but depends for its success on the willing cooperation of every member of a factory or a farm. Man's ingenuity at sabotage is almost limitless. We ourselves received a valuable lesson in the impossibility of ordering a population to act against its will in the dismal failure of our Prohibition law. Men can be persuaded by rational means that to produce and to consume in certain ways is more profitable to them in the long run, but they cannot be compelled to obey arbitrary orders, when they have no say in the promulgation of those orders and in their formulation. The Industrial Commonwealth will

shun all arbitrary, military attempts to decree an economy and to operate it by armed force. Every member of an Industrial Commonwealth will have complete freedom in both his private and his industrial life on the principle that industry must be governed only by the consent of the governed.

CHAPTER XIII

THE RÔLE OF MANAGEMENT

THE true governors of industry and the only people who can be its governors under any kind of organization of industry or even in the present state of unorganized industry are the executives, technicians and officers whom we group under the general title of management. Those men are at the control of American industrial action, and they must become also leaders of American industrial thought. America's, and possibly the world's, new leaders are going to be the coming leaders of American industry.

Management in the modern sense is so new that it has only recently begun to establish its standards and its ethics and to realize its rights and privileges. More and more corporations are establishing their own "universities" to educate and prepare their men for public responsibility. A man who works for a large corporation in a responsible executive position, or a member of the board of directors of such a corporation, occupies a position of public trust, just as much as a duly elected or appointed public official occupies a position of public trust.

Moreover, the managers of industry, who must take the initiative for industry, just as the executive department takes the initiative for government, have full legal power to combine and to organize, so long as their efforts are in the public interest. That right has not been forbidden to them in the Constitution and has been guaranteed to them time and time again within recent years by the important decisions of the Supreme Court since 1911. The Court has granted the management of industry the right to make agreements which restrain trade "reasonably," provided such agreements are in the public interest. It has also given the managers of business the right to exchange information and opinion, and to help each other run their business with a knowledge of the facts rather than an ignorance of the facts, provided they protect the important public interest in all their acts. Even, under certain circumstances, the right to fix minimum prices in the public interest by one selling agency for a competitive group has been approved by the Supreme Court. Certain "monopolies" like the United Shoe Machinery have been "approved."

The managers of industry, therefore, have nothing to fear from the final arbiters of the country, the judiciary, in the efforts which those managers must make to coordinate American industry if American industry is to survive and develop unhampered by political interference. Management has all the resources to do anything it really wants but needs the program and the will. That its resources suffice to effectuate any program which it deems to be in its own and the public interest is evidenced by the fact that the indicated wealth of corporations engaged in general manufacture, railroad transportation and electric power production alone approximated \$180,000,000,000 in 1934, or about 62 5 per cent of the national resources.

The managers of industry by taking the initiative to set up an Industrial Commonwealth of their own have nothing to lose but their uncertainty. But thus far they have showed pathetic and sometimes cowardly reluctance to take advantage of their legal opportunities and to avail themselves of their important privileges. The old negative philosophy of business still prevails. During the drastic depression of five years from 1929 to 1934, when great human and industrial values were destroyed, political interference was tolerated and invited, and the industrial machine was brought perilously near to a full stop.

Since that depression has been mitigated somewhat and slight recovery has taken place, too many business and industrial managers have found refuge in the old platitudes which they feel served them usefully before. They have talked mystically of a natural law of supply and demand, which would adjust all difficulties in the end, and of a philosophy of *laissez faire*, which would serve industry as a good loose principle forever.

By acts of individual competitive violence and by financial manipulation, *via* bankruptcy and the other destructive roads of drastic liquidation of both humanity and industrial machinery, the managers of industry may succeed in pulling industry for a time out of the depression into a minor boom. But then what can they expect? There is no economic reason to believe that such a boom would not be followed by a depression more terrible than the last, with such horrible results to the men, women and children who depend upon industry for their existence, that they will use political means to take industry out of the hands of the men who are not willing to manage it in the large sense as well as in a detailed way. There is a definite limit to the strain which human beings can endure, and during the last depression we came dangerously near that limit. There is no reason to expect that in the next depression we shall not pass the limits of human endurance, unless the managers of industry exercise the initiative and ingenuity

which they possess, and which it is their obligation and responsibility to use. In 1935 some of the managers gave lip service to the idea that they carry the responsibility for the people's material welfare. But it cannot remain a lip service.

The managers of our industrial process control the wealth of the people, and that wealth pours into their hands for profitable use from all the reservoirs of public credit, the savings banks, the insurance companies and the government. In 1935 from these three sources, credit placed at the disposal of industry, principally upon medium and long-term bases, exceeded forty billions of dollars, of which the alphabetical agencies of the government, especially the Reconstruction Finance Corporation, but excluding the Federal Home Owners' Loan Corporation, accounted for nearly eight billions.

Such a situation has placed enormous responsibility and opportunity on management. The managers who are carrying this great responsibility must begin to think of themselves not as the individual office clerks of a particular business, but as the custodians of the community wealth. The day has long since passed when one man could own a factory of any appreciable size for long. The money of the nation and of the world has been brought into industry by means of direct sales of stocks and bonds, or indirectly through the enlistment of money which people had on deposit in banks throughout the world. Industrial managers and technicians, with the aid of labor, have been operating the vast industrial machinery developed by public money in the interest of hundreds and thousands of absentee owners, who were too busy in their own business to exercise direct executive authority and creative industrial energy.

The present lack of cohesion in industry, which is responsible for the short-sighted attitude of industrial managers, is due to the fact that industry has been operated by its managers with outworn business formulas instead of on the firm foundations of a philosophy of industry. The managers of industry must promulgate and accept definite goals and common objectives for industry as a whole, and for their particular branches of it specifically. For example, one goal which might be sought should be the creation of an "effective" price level for all products entering into consumptive channels so that each, in receiving its pro-rata proportion of the national income, will show an increasing physical volume. An accepted authority maintained in December, 1935, that this could be accomplished forthwith, especially with respect to some 700 commodities for which current and long-term statistics are available through the Department of Labor.

Having set such goals and objectives to aim at immediately, the

managers of industry, working in conjunction with their labor and with the interests of their consumers and investors in mind, will soon be able to develop a philosophy of industry and standards of ethics and morals for business. Before such a philosophy can develop, however, the managers of industry must set up their own forms of industrial coordination and throw off the yoke of government interference and the domination of industry by finance capitalism. They must get rid of boards of directors composed of bankers or their nominees who seek to govern and control by "divine right" rather than by intelligence and acceptance of responsibility to serve the public interest coequally with serving their private interests.

Both the politician and the banker take advantage of industry's present lack of cohesion in order to prey upon it for what seems to be their personal advantage. With the recognition on the part of management of its responsibility to the entire community, neither political government nor finance capitalism will be able to dictate unsound policies and plans or interfere with sound ones.

A realization of the complete interdependence of all individuals in industry is the first step toward industrial coordination and co-operation. Heretofore, individual managers, traders and laborers have taken very little interest in the few movements initiated to promote the general welfare of industry. They have preferred to hope that something outside themselves would "do something about business." But nothing outside themselves can do anything about or for business. There has been a superstitious business belief that somehow the conflicting efforts of every individual to take care of himself would fuse mysteriously into a general force sufficient to keep everybody prosperous. Those who have believed in any control have advocated government control. We have tried to show throughout this book how by its very nature government is impotent to operate industry and how the agencies of government which attempt to operate industry do damage to the entire industrial process.

There is no mysterious uncontrolled means by which the individual competitive efforts of people can be fused into a general prosperity. Such prosperity can be brought about only by the constructive efforts of the managers of industry themselves, operating with the abundant judicial, material and spiritual means at their disposal. Every branch of industry must and will work together to plan the future of industry and to maintain its welfare, and the managers of industry must supply the creative initiative and the executive ingenuity to make such plans a success and to supply organizational forms for them.

In recent years some action has been taken by large corporations to

remove men of great executive ability from attention to the details of trading within a corporation and to place them in charge of the larger problems of the entire industry with which they are concerned. Under an Industrial Commonwealth it will be necessary to have managers not only for the trade problems, but in the larger sense for wide industrial, financial and economic problems. These men will have had practical experience with the business problems involved in industry, and will also be capable of general economic industrial thought and of shaping policies for particular industries, for industry as a whole and for our entire economic system. This is a field that finance-capitalists might well look into for useful service.

In this book the form of an Industrial Commonwealth has been indicated in detail. This conception has been designed to provide for all the elements in the vast industrial process, but if it has any particular appeal it will be as a suggested form for the managers of industry to work with and to elaborate. The profession of management, which has grown up in industry during the twentieth century, must justify its outstanding position in industry by taking up the fundamental problems of industry and solving them. The managers of industry are not only its administrators, but also its physicians and surgeons when it is in need of care. All other groups in the economic process are willing to pay them substantial compensation not to manipulate deals but to keep industry in a constant state of healthy activity. There is urgent need that the managers of industry make an effort to realize their position in relation to it and to carry out the important functions which they alone can exercise.

The fact that we have almost two million businesses in this country should give pause to those who believe that a few industrialists run it now or would run it under an Industrial Commonwealth system. There are probably ten million men and women who come under the head of management. Management is spread far and wide, taking responsibility for about nine million employees in manufacturing, about ten million in wholesaling, retailing, insurance, banking, etc., about ten million in agriculture, about four million in transportation and communications, about four million in the building and repair industries, about ten million in the professions, domestic and political service and about two million in mining, forestry, etc. About four-fifths of those employed are engaged in work other than manufacturing. In each of these fields men and women in management are learning to think in terms of their responsibilities to the entire economy as well as to those engaged in their particular company or industry.

By obtaining positions on the boards of directors of industrial cor-

porations, or by controlling large stock holdings, even though oftentimes only a minority interest, investment bankers with predatory purposes have been able to dictate policies to their own great temporary advantage and to the detriment of industry as a whole. The power of the banker has frequently been greater than the power of the real managers of industry, because the banker was in command of the vast credit power of the country. The self-seeking jobholders and money manipulators of investment banking are as great a parasitical growth on industry as the self-seeking jobholders and power manipulators of politics. The industrial banker is an important person in our economy, as the agent for the distribution of capital, but he is important only so long as he recognizes his responsibilities and obligations and is willing to work in the public interest, which is also his own interest. The banker and the speculator have been using industrial machinery short-sightedly in order to gain an immediate profit for themselves.

The Senate investigation into financial operations during the boom years of the nineteen twenties revealed that too often men in high posts at the head of banks and other institutions indulged in stock pools, stock manipulation and unethical trading in the stock of their own companies, voted themselves huge bonuses and sold themselves stock at privileged prices. During the so-called boom period of American finance, in the nineteen twenties, the financial corporations and the speculators of the nation made profits of about one billion and a half dollars more than the profits of the 300,000 non-financial corporations. The profits of financial corporations and speculators in 1929 were \$7,122,000,000, as against profits for all non-financial corporations of \$5,645,000,000.

With our realization that credit is the invigorating force of industry, it becomes of great importance that credit power should work for the benefit of the whole economic process and not for a small percentage of the population. The managers of large corporations must not only be freed from domination by finance capitalism, but they themselves must also realize that there is much more permanent wealth to be made in the pure industrial process than there is money to be made in temporary financial manipulations of the wealth-making industrial machine.

Industry itself, with management taking the initiative, must clean up the abuses in stock exchanges and in general financial manipulation, instead of waiting for the government bureaucracy to ruin the real value of those exchanges as market-places for the sake of punishing the transgressions of some of their members. Industry must and will eradicate the evils of finance, and it is part of the job of manage-

ment to do so. It will be found in the end that only the managers of industry can put the speculator and financial racketeer out of business. The government cannot get very far in curbing private speculation, while it is at the same time juggling its own currency and credit in such a fashion as to give investors a need and an incentive to shift from day to day from one form of wealth to another.

Under an Industrial Commonwealth the managers of industry will be relieved from the constant burden imposed upon them by high governmental taxes. The tax collector is one of the banes of the present industrial manager's life. When industry has assumed the obligation to take care of the employable population and to operate the economy of the nation, the need will have disappeared for enormous taxation to cover relief and costs of government agencies which are now taking over problems of industrial management. These problems the government has no right to take over. Industry itself must handle them. One of the great advantages of the form of industrial coordination outlined here may be the reduction in tax burdens to industry and in tax problems to industrial managers which it implies.

Before the 1929 depression set in many of our industrial managers were doing a good job in their individual industries. When the depression, which they should have been able to foresee, struck them with full force, the managers of industry tried to continue their work with the old rules, cutting their expenses for labor and materials as much as possible and attempting to weather the storm by trimming their sails. The storm, however, was not a collection of disconnected disasters, but a vast, collective economic ground swell, and while they were trimming their own puny sails, industrialists did not seem to realize that their collective ship was leaking for lack of attention during many years. They were out on a very stormy sea, without charts, in an old-fashioned, leaky ship. Many of the managers contented themselves with sending despairing cries for help to the government and trying to save their own part of the collective ship. The government could not save them individually, and leaks near-by damaged their own property. The various officers of the industrial ship had to get together, and their first efforts at cooperation were feeble ones, taken in conjunction with government bureaucracy instead of on their own responsibility.

Except for the trade associations formed in particular industries, and uncoordinated with each other, industry's general efforts to organize itself were largely negative in purpose and program. The United States Chamber of Commerce and the National Association of Manufacturers were organizations for defense rather than agencies

for constructive effort. Their strength originated with the common desire of business men throughout the nation to band together to resist what they considered to be the encroachments of labor. They pandered to the old-fashioned whims and prejudices of men who were no longer rugged in an era that could no longer afford individualism. Their attempts at collective effort, therefore, resulted in conservative selfishness, class conflicts and platitudinous insincerity. Such organizations could not help industry to govern itself, because they were occupied solely in the effort to gain special advantages for particular branches of the collective economy.

The interests of labor will be treated separately in the following chapter, not because its interests conflict with those of management, but because labor's problems in the present transitional period of industrial coordination are of special importance. In the ideal Industrial Commonwealth labor will become so definitely a part of management that its problems and interests will not be different from those of the members of the board of directors or the engineers in charge of the plant. Because of the large stake they will hold in the prosperity of industry through definite shares in its profits, the workers in industry will become an essential part of management, as its technicians and executives now are.

The experience which industrial managers gained from code-making activities under the NRA gave them a realization that the old principle of the stockholder's interest being first and foremost was no longer the basic principle of industry. The stockholder's interest has always been closely connected with that of labor and of management, but it took a serious depression to make us realize fully the direct interrelation. National purchasing power suddenly became a consideration of prime importance in the eyes of men who had previously thought exclusively of their own immediate sales, and even absentee stockholders began to realize that when purchasing power goes out the door, dividends fly out the window.

Since the 1929 depression it has become clearer that all business is perforce a public utility, inasmuch as it can thrive only by wider and wider public support. Managers and workers will come to regard themselves not as the bosses or slaves of a company, but as the servants of a society which cannot live without them, and without whose purchasing power they themselves cannot exist. As labor and the lower income groups of management are, by virtue of their large numbers, the largest potential consumers in the country, high-wage policies, profit-sharing and employee services become good business as well as decent philosophy. More and more managers of industry will realize

that they are creating their own as well as other people's customers when they pay high wages.

In the matter of the wages of management itself, the Industrial Commonwealth will be dedicated to a policy of ever-increasing mass purchasing power in order to lay a foundation for continuous prosperity. This policy would require at times a scaling down of salaries in some of the branches of management and a scaling up in others. Large, arbitrary bonuses, voted to themselves by bank and corporation executives in control of stockholders' money, cannot be permitted in any decent industrial society. The courts are more and more scrutinizing these treasury raids. Nor can starvation wages for clerks, stenographers, bookkeepers, technicians and skilled and unskilled workers be permitted in an Industrial Commonwealth which aims to keep industry on an even keel. The differentials in salaries in branches of the economy which come under the head of management are far greater than those in the ranks of labor. It will not be the aim of an Industrial Commonwealth to bring salaries to a basic level of equality, for such a policy would destroy incentive, initiative and ingenuity. But it will be its effort to raise salaries really earned all along the line for executive, technical and clerical work as well as for manual labor.

In an Industrial Commonwealth it will be necessary to work out scientifically, policies and formulas for salaries of management as well as for wages of labor and prices of commodities. At present, salaries are arrived at by haphazard methods. There have been no standards for calculating what the services of the presidents and vice-presidents and other executive officers are worth. In many instances they have received far too much and in some far too little. We must fix not only wage scales, but also salary scales, and this does not necessarily imply that individual salaries would be any lower permanently. In fact, salaries all along the line would probably attain higher levels than ever in an economy which was geared to make industry constantly productive and make purchasing power constantly abundant and fruitful.

There should be no objections in an Industrial Commonwealth to large salaries and bonuses for important executives performing meritorious service and burdened with grave responsibilities, but there should be strenuous objections to very small salaries for clerks, draughtsmen, engineers and others who are also a part of management, and who also have obligations and responsibilities in and out of industry. The uncertainty of employment in the lower ranks of management must also be eliminated.

Management's obligation will also develop in the direction of concentrating its energies on providing quality goods. Such a general

program would keep our industrial machinery busy on a new plane for years and years to come.

Such coordination as we suggest, with management exercising leadership, holds out the hope of a renewed interest in private life for industrial managers. Today the average business man, whether he is owner or manager of a business or both, is entirely absorbed in the processes and uncertainties of trade, to the exclusion of any decent private life for himself or his family. The worry of keeping afloat in an unorganized economy permeates private life and makes the business man and the executive of a corporation an automaton who can think and talk of nothing else but his troublesome job. When industry has become coordinated, the responsibilities which are now present with every industrial manager twenty-four hours a day will be shared with the experts of industry throughout the nation, and the aid of their colleagues will be available to them in the effort to relieve their own burdens.

In the United States the various branches of management of industry have been accustomed to regard the industrial picture as in the nature of a Horatio Alger story, in which the poor boy rises to be a business king. "From Rags to Riches" has been the American legend, and too often it has proved nothing but a myth. We now ought to realize that there is never any call for rags or for inordinate riches. In an Industrial Commonwealth the opportunity for very large salaries at the top should be retained as an incentive to merit, but the millions who take part also in the industrial process must be taken care of on a constantly increasing standard of living, which will enable them to feel a stake in the economy and at the same time to contribute their lever of purchasing power to the entire economy. The real task of management in industry is, after all, to guarantee the solid foundation for its enterprises by making the lowest income ranks of the economic process a sturdy bed-rock of purchasing power.

It seems obvious that the economy of the United States may not be able to stand up under the strain of another severe depression such as that of the nineteen thirties. It is the duty of the managers of industry to exercise all their ingenuity to prevent the catastrophe which threatens unless they are able to devise the forms for making industry a self-governing commonwealth operating in the public interest and to develop the leadership and determination to see it through.

CHAPTER XIV

THE RÔLE OF LABOR

THE dividing line between labor and management is essentially a thin one, and as the machine takes over labor more and more, both the interests and the position of labor and management will tend to become identical. When the engineer of a train like the one running from Boston to Portland on the Boston & Maine Railroad is dressed in a white suit and white gloves in a spotlessly clean "engine" room, and when operators in certain factories sit in spotlessly clean attire like men in the finest office and just watch dials or push buttons, there is then little, if any, difference between this type of laborer and certain types of executives in management. If this machine civilization means anything, it means that we must develop this kind of operation more and more until we have to do little but push buttons in order to get the day's work done. In an Industrial Commonwealth dedicated to the principle that all men have an equal right to a living, and to the aim of insuring that living, labor and management become two branches of the same general administrative arm of industry.

Consideration of the rôle of labor, in relation to the other aspects of the problem of establishing the Industrial Commonwealth, requires attention to labor's rôle in terms of present-day concepts. Because many of these so-called concepts pertaining to labor probably will turn out to be temporary or transient in character their discussion herein does not imply their acceptance as either sound or permanent.

At the present time labor carries out the administrative orders of management. It sometimes carries those orders out reluctantly, because in our present economy, operating without goals and without organization, labor has only the stake in the profits of industry which it can demand by its power to bring production to a halt at times when production is profitable. On the other hand, labor is sometimes forced out of the productive process which is dependent upon its abilities, because, through lack of goals and lack of organization, that process becomes unprofitable. We are all familiar with these destructive, wasteful situations under the too common names of "strike" and "lockout." The result of the needless conflicts between labor and management is colossal waste of industrial potentialities.

Thus far it has been impossible to bring labor and management into any scheme of cooperative effort on a permanent basis for the simple reason that labor has not been offered its legitimate, assured, secure stake in the profits of industry. Labor has never been accepted in our economy as a full partner in industry, with proportional representation for its interests and with full participation in its profits. The reason that labor has not been offered its full participation in the profits of industry is a simple economic one and not an emotional one. Industry has heretofore been split into competitive units battling with one another. In that battle the effort has been to buy as cheaply as possible and more cheaply than a competitor and to sell as profitably as possible on a large scale.

Generally the largest cost of industry, aside from raw materials, is its labor cost. Labor has essentially been treated as a commodity to be purchased cheaply, in spite of recent efforts to recognize that men, women and children have rights and needs which cotton, minerals and dead material do not possess. In order to keep down their costs in the competitive struggle, industrial managers have tried to show a profit at the expense of their labor, and labor has done everything it could to raise its price and demand its value.

The real struggle in industry, however, has been between its competitive units and not between capital, as represented by management, and labor, as represented by its leaders. Until labor became the manager of the machine there was some justification for believing that labor was being exploited by capital and capitalists. Moreover, it must be remembered that the habit of thinking of people in terms of master and slave is centuries old, whereas the present mechanization of industry which cannot possibly fulfill its potentialities under that kind of relationship, is, after all, only a few years old. Today it is perfectly clear that the machine is the vassal of both the man in the office and the man in the factory. The machine is daily showing that it needs the man to share its burden less and less. When we enter an era where the machine makes machines, there is little, if any, class struggle left.

Labor, as an important arm of industry, has also had to take part in the competitive battles within industry, and the condition of labor has been affected constantly by the general industrial conflict.

Until recent years there has been no indication of a pattern for industry, within which labor, as well as all the other factors in our economy, falls. With the growth of the industrial machine, however, we can now see the lines of that pattern forming into one of industrial cooperation of all elements in industry. Management is already attempting to work out formulas by which labor can be brought into the man-

agement group. In 1934 the General Motors Corporation developed a comprehensive plan as a first step in this direction.

When the wasteful competitive struggle within industry is replaced by a cooperative struggle to create a continuously prosperous economy through more and more marvelous machinery, it will become evident that the interests of capital and labor are identical. For labor by virtue of its constant participation in the profits of industry on an ever-increasing scale will be part of ownership and part of management. Labor will thus have more to gain by industrial cooperation than it could ever gain by political action or class action.

After the struggle for political power or special class power is ended, either in victory or defeat, the struggle for profit goes on as before, and the economic struggle for profit, which means the struggle to survive, can be conducted only by cooperative means and not by means of political action in the interests of any special group, no matter how important it is in relation to the entire economy. In other words, the class war, like all wars, brings no fruits to either the victors or the vanquished. One wonders whether with all the "victories" of labor in strikes, more than a few wage increases or similar concessions have been gained. After all, organized labor has made no fundamental contributions, and there are still ten million of their number unemployed.

When all branches of the economy, including finance, agriculture, management and labor, merge their special interests in the general interest of an Industrial Commonwealth, they will all have everything to gain and nothing to lose. It is up to management to take the first step in such an organized aim, and it is up to labor to respond to such efforts with cooperative interest for its own advantage. Just as the poorest yeoman became a part of the management of government with the establishment of universal suffrage, so the person who performs the most menial task in the new industrial order becomes a citizen of that order, whose inherent right to a decent living is recognized as the fundamental tenet of industrial "democracy."

The present position of labor in our economy is a tactical position in a battle instead of a cooperative one in a system with definite goals and scientific aims. The continual emphasis on higher and higher purchasing power as the practical goal of a system of ever-widening production and consumption makes the stake of labor as part of that system a continually increasing stake. The great goal of an Industrial Commonwealth is to insure its own continued prosperity by insisting on wider and wider purchasing power and more and more leisure to exercise consuming power.

It would be a fundamental tenet of such a Commonwealth that labor, being large in numbers and huge in potential purchasing and consuming power, must be guaranteed a continuous supply of power to consume through wages, profits and credit. Labor will also require a constantly decreasing hour scale in order to develop its ability to consume constructively and in order to give workmen a chance to educate themselves for skilful production and useful consumption. Wages, profits and hours would be scientifically distributed, consistent with the ever-widening profit return of industry and its constant technological improvement. This is thinking in purely physical terms!

The Industrial Commonwealth will establish in the beginning definite goals for labor, consistent with the potentialities of our present industrial machine. Such goals would provide the highest possible minimum wages and the lowest possible maximum hours. Industry will also commit itself to guarantee labor security of employment and insurance against unemployment, old-age pensions and physical conditions of work which would grant to labor a decent existence. These standards of living and work and security for labor would be constantly raised as the entire economic machine was developed. And, most important of all, labor would be guaranteed a fixed percentage of the profits of industry to make it a real partner.

Such are the gains which labor would make by merging its interests in the common interests of the economy. What can labor lose by such a system? At present labor is organized, on a class basis, with craft distinctions within that class. Labor, organized on a craft basis and then coordinated into federations of crafts, attempts at present to gain advantages by bargaining with employers, and when such bargaining fails and the circumstances seem favorable for victory, costly strikes are called, which damage the interests of both the workmen and the owners, stockholders and managers.

In that struggle for economic advantages and for better physical conditions of work, organized labor attempts to enlist the power of political agencies in its support. The executive department of the government is asked to become the umpire in disputes between management and labor and to use a power which it has no constitutional right to exercise in order to force agreement on the part of either side. The only power to decide conflicts of fundamental rights between labor and management resides basically in the courts, and even under an Industrial Commonwealth if serious difficulties should arise between labor and management, or labor-management and the consumer, the courts would have to solve them by principles of justice.

power of our society, labor would be assured of employment at a constantly increasing rate of pay and with a constantly increasing standard of working conditions. By the commitment of management to guarantee labor minimum wages, limited hours and safe conditions of work, as well as to set aside a percentage of the profits of industry for labor's use, the attitude of labor and the form of its organizations would be automatically reshaped. No longer would those organizations be geared for a day-to-day struggle for labor survival. Instead they would be dedicated to represent the interests of labor in a unified cooperative economy with advancing goals and constructive aims.

The present labor unions developed in an era when labor had to fight continuously for the recognition of the right of the mass of the population to exist first and then to earn a decent living. That fight resulted in the most bitter kind of strife, bloodshed and destruction of property. During the struggle of labor for recognition of its rights to organize, management set up stern resistance and uncompromising opposition. The federations and brotherhoods of labor grew up during the period of greatest disregard for the interests and rights of those who toiled for wages and produced wealth. The labor union idea developed in a day when the machine was new and crude. The machine then merely complemented manual labor, but since about 1900 the trend has been the other way for the first time in history. Man is complementing the machine, and that is a totally new situation.

Since industry itself in the nineteenth century was not organized along unified industrial lines, it was natural that labor unions should develop on craft lines rather than on industrial lines. In its fight with capital, union labor has always tended to regiment its individual workers into organizations which placed the interests of local groups ahead of those of the industry as a whole or of labor as a whole.

There are no rules imposed by management so rigid and inflexible as those devised by union leaders to govern the action of the members of their own organizations. Severe seniority rules which work grave injustice in many instances to individual members of unions have been common in labor union history. The regulations imposed by labor leaders on the right of a man to join a union—and without that membership no man could enjoy the opportunity to work in many industries where union labor was powerful—have been as inhuman in their disregard of the inherent rights of individuals as the unsocial activities of management in the era of unlimited industrial strife. Within the ranks of labor, the unions have fostered feelings of hatred and greed. The organized have been pitted against the unorganized, the entrenched worker has been given a vested interest against the

interest of the rising generation of laborers. Such methods must give way to social concern on the part of labor for all the elements within its ranks.

The labor union leaders have also failed to purge themselves of racketeering elements using the methods of violence against both labor and management in their unsocial efforts to gain financial and political control of the unions. In an Industrial Commonwealth there will be no more place for the labor racketeer than there will be for the racketeer of finance capitalism. Just as management will purge itself of the domination of the speculative gambler, as was pointed out in the preceding chapter, so labor will purge itself of the strangle-hold of the gunman and the extortionist. The labor racketeer by use of violence and blackmail obtains money from both the worker and the employer. He insures himself an illegitimate, parasitical profit by making the initiation fees to a union high and by sharing in the wage increases he obtains for labor by the use of intimidation and violence, sabotage and destruction. Labor has men in its ranks who are just as unscrupulous as the so-called "exploiters of labor" ever were; men who keep several establishments, who speculate in the "market," who profiteer, who "buy and sell" legislation, and who have no standards of morality or decency. The result has been that the public has often lost the natural sympathy it had with the efforts of labor to safeguard its legitimate interests because of the illegitimate means used. The self-seeking jobholders of union politics have done as much harm to industrial efficiency as the self-seeking jobholders of government and of finance. Under an Industrial Commonwealth labor will have the means of ridding itself of these predatory elements who prey on its welfare for their own selfish purposes.

While the ultimate purpose of the labor union movement was to assure every man and woman a job at a living wage, in the effort to attain that purpose the unions have used destructive economic methods. Individual workers have been encouraged to work as little as possible, to confine their interests to one mechanical process, and to perform their automatic functions as slowly and inefficiently as they dared. Why limit a carpenter's output to ten sashes in eight hours when a skilful worker may be able to put them up in four hours? And so in the printing industry, the bricklaying industry and other industries. The dead-level of mediocrity would certainly be achieved if the parochialism of the old-line labor leaders were to dominate. By establishing identical rates of pay for all workers in a given classification, the unions destroyed initiative and ingenuity, in the futile effort to create more work and more jobs by artificial means. Sabotage and

malingering have been used in the effort to force employers to hire more men than they needed. Such a policy ruined the incentive of workers to develop their talents and brought labor down to a dead-level of uniformity and regimentation. Organized labor was economically sound in its contention that labor must receive its proportional share of the national income, but, like management, its understanding of the bases of industrial operation was so faulty that it sought to better its own position by damaging the structure from which it gained its sustenance.

When labor pitted itself against management, management in retaliation hired efficiency engineers to devise means of saving the waste caused by labor policies. Labor tactics encouraged management to throw men out of work and to substitute machinery wherever possible. The result was an utter disregard for the interests of men as a whole in the conflict between management and labor to beat each other in battle. In this great effort to create work by artificial means labor has resorted to political measures which disregard the needs of the complex industrial machinery of the country. Stop-gap measures have been advocated by union leaders, such as a uniform thirty-hour-a-week law. Such a law may be salutary in some instances, but it is offered without due regard for the needs and interests of labor and the community as a whole. It may be that thirty hours a week would be too long in some industries and too short in others, and such regulation of hours cannot be obtained by blanket legislation but must be calculated scientifically by labor and industrial experts working in conjunction and conversant with conditions in particular industries.

Labor's right to strike has been one of its fundamental rights, but the use of that right by politically-minded labor leaders has often been neither judicious nor effective. Strikes are sometimes declared because warring factions within labor politics require a show of power, and the men who are dependent upon their work for their bare sustenance have always been the ultimate sufferers. The indiscriminate use of the strike has also led to a loss of public sympathy, because the entire community being dependent upon the goods and services with which labor is involved does not look with favor on the use of the fundamental needs of society as a pawn in a game for position indulged in by warring labor factions.

Under a system of industrial coordination "labor" would be in a position to profit by the creative talent possessed by the leaders of management. And once their interests were merged in a common effort instead of opposed in a class conflict, labor could avail itself of the experience and knowledge of the leaders of industry, whether they

came from the ranks of labor, as they often have, or whether they came from colleges and technical schools, or whether they were still labor leaders.

Organized labor in the United States has a membership of about four million (1934 figures) and speaks only for those four million. But the total laboring population of the United States is approximately forty-nine million. The Industrial Commonwealth, instead of taking into consideration the welfare of four million of these forty-nine million, would make itself responsible for the entire employable population and would speak for and be the organization for the expression of the requirements of the entire forty-nine million instead of for a selected group composing less than 10 per cent of the employable population of the United States. Labor can be said to be really organized only when the interests of the forty-nine million are protected and advanced.

The present objectives of union labor for its four million constituents are also narrowly limited. When industry is organized along rational lines, we may institute objectives of which we dare not even dream under the present conditions. After our economy has been coordinated it may be necessary for men to work a few hours a day instead of eight, seven or six hours a day, and it may be possible to increase the cultural wage beyond anything we now imagine or can hope for.

In recent years there has been progress in the development of labor organization along vertical lines. In some instances this vertical movement has taken in only a single plant and in others an entire industry, thus organizing it along industrial rather than craft lines. This vertical organization along industrial lines is sometimes effected by the establishment of councils of the existing craft unions in separate industries. The metal-working industries, including steel and aluminum, and the automotive trades and cement industry have taken the lead in this movement. While the mere organization of labor along vertical lines will not in itself result in a more social attitude on the part of labor, or in a greater understanding of labor's economic functions and responsibilities, nevertheless, the vertical organization at least affords a structure which is far more favorable to the progress of economic cooperation than the ordinary craft union. The factory worker in a particular industry has interests in common with other workers in his industry, even if they are performing different operations. Just because he is a metal-worker in Portland, Ore., is no reason why his interests are identical with those of a metal-worker in Portland, Me. The present organization by crafts makes it easier for the political labor leaders to fuse

workers in a mass protest, but it is not conducive to cooperative effort in an industry for the common good.

This plan for an Industrial Commonwealth offers the opportunity for every worker to be in business for himself and to share in the profits of that business. At present a worker who is a member of a union shares the uncertain fate of his fellow craft-workers in industrial warfare. Under a cooperative industrial partnership of the entire community, workers displaced in one industry by technological improvements or industrial changes would be placed in other industries where their ingenuity was required. The training necessary to adapt workers to changed conditions in our economy would also be available to workers in an organized industrial society, and instead of becoming victims of industrial change, they would be beneficiaries of industrial progress. Gainful employment in the modern world tends to become more specialized, and it is necessary to give the workers of the country the opportunity to develop greater mobility and resilience, so that the individuals involved in the industrial process may keep up with the rapid progress of the machine. The important contributions which laborers who are in daily touch with the machine can make to its development will have full scope only when industry is organized on a cooperative basis.

American labor, working in conjunction with American management, will have an opportunity to protect itself from foreign competition by exporting American standards of labor through the extension by industry of credit for foreign industry with lower living standards than American standards. It will then no longer be necessary for American labor to adopt an insular attitude and to insist upon high tariffs and restrictive immigration policies. Labor's interests, merged with those of the rest of the economy, will profit enormously by the use made by an Industrial Commonwealth of both domestic and foreign credit, and by the developments of peaceful foreign trade penetration.

At present labor throughout the world is in a precarious position. The workmen of the world are paying for the imperialist adventures of their politicians and for their huge armament expenditures for defense against rival imperialist policies. Under a Commonwealth system which is working for peaceful prosperity throughout the world, there will be greater profits to share with labor because of the savings on armaments which will result from world-wide industrial cooperation and the saving of the colossal waste in human material and raw material resulting from destructive economic conflicts on a world-wide scale.

Labor as a group stands to gain more than any other section of the community from the establishment of a new industrial order. It will not gain these advantages at the expense of any other group, but through the efficient operation of the industrial process, profitable to all groups. When labor realizes that it shares the profits of industry, and when it receives its definite profit on a fixed and equitable basis, it will no longer be hostile to industrial management. It is up to the worker to understand his responsibilities and duties to the entire community, as well as his technical craft problems. Labor's responsibility in an Industrial Commonwealth will be on a par with that of management, because their interests will become common interests, and their duty and desire will be to operate the economy together on a constantly profitable basis.

CHAPTER XV

THE RÔLE OF THE FARMER

IN OUR present haphazard economy the position of the farmer is one of a special class, and his highly important efforts are not coordinated with those of the rest of the economy upon which he is dependent and which is dependent upon him. Just as in the case of labor the interests of the farmer have been put into a separate groove, and he has been waging war with the other branches of the economy. The supposed conflict between agriculture and industry has been a paramount economic issue since the days of the foundation of the republic. This conflict has been fought with tariff skirmishes and other legislative devices, and was back of the problems that led to the Civil War.

As American economy is at present constituted this issue threatens to be a paramount one for many years to come unless the farmer, like the laborer, becomes an integrated part of our industrial economy. In the endeavor to coordinate agriculture with the rest of our economy industrial managers will have to devote their talents and abilities to working with the farmer and to making him realize the advantages to him of industrial order. Too often in recent years has industry in its limited factory conception ignored agriculture and *vice versa*. But the problems of one are the problems of the other, and the farmer will come to realize that his interests are closely connected with industrial managers and workers not only in this country, but throughout the world.

In the early years of American agriculture the farmer raised what he needed and purchased little from abroad or from the manufacturing sections of the country. But with the development of machine technology, it was not long before the advantages of machinery on the farm were realized, and agricultural progress is marked by the use of machine power instead of hand labor. One hundred years ago seven out of every ten people in the United States were farmers, but today two out of every ten make their living from agriculture. Experts believe that we could get along very well with 10 per cent of the people engaged in agriculture and, with a little more efficiency, 5 per cent of the population could do the job exceedingly well. And yet the value

and volume of farm products has increased greatly. The machine has released farm labor for industrial purposes, and the surpluses from the farm have supplied the labor market of industry with men and sometimes glutted that market. At other times the farmer has suffered from a scarcity of labor due to lack of coordination between agriculture and industry and to improper distribution of our labor forces.

The farmer, without realizing it fully, is closely connected with the problems of labor and the problems of the rest of industry. Agricultural managers in the future will have to work in conjunction with industrial and labor managers for the interests of the entire population of farmers, workers and consumers. The farmer has also become an ever larger consumer of manufactured products, and as such, as well as in the rôle of supplier of raw materials to industry, he is as closely linked to the industrial process as is any other unit of it.

The comparative isolation in which the farmer labors has created the illusion of his independence from other branches of the economy. When he goes to market to dispose of his goods, the farmer is brought face to face with a realization of his part in the entire structure of production, distribution and consumption. But when he comes face to face with his market, he usually expresses resentment against the distributor of his product for taking what the farmer considers an unfair proportion of his profit, and against the public for paying him too little for its food. The widespread hostility between the urban and rural dweller, which crops up occasionally in dramatic legal and political battles, is based on economic differences as well as on differences in temperament, manners and morals. But the city "slicker" and the country "hick" are, like the worker and the manager, fighting unnecessary emotional battles instead of uniting to solve the problems involved in our interdependent economy.

The farmer also feels himself a member of a group whose power is diminishing in this country. In the middle of his broad acres he may be a monarch, but unless he can be sure of a constantly profitable market for the products of those acres, he may find himself as suddenly bankrupt as the man whose blast furnace can no longer be worked for a profit. The reason for the farmer's difficulties does not lie so much in any lack of efficiency at the age-old business of plowing, planting, tending and reaping crops, as it does in a lack of understanding of the conditions of the modern world on the part of both the agriculturalists and the industrialists and workers of the nation. The farmer shows greater reluctance to get in step than either the laborer or the industrial manager. There is a very important reason for the farmer to take stock of his position, for the chemist in the synthetic

field has shown himself so able as to put millions of acres out of production by his work in the laboratories with such products as rayon, perfumes, dyes and so on.

The farmer today has many of the same needs and desires as the city dweller. He needs electric power, ready-made clothing, canned goods, intricate machinery, manufactured fertilizers, radios, automobiles, and even processed foods. The farmer is too busy at the specialized job of raising crops on an efficient basis and a large scale to bother with home preserving and homespun clothing. The manufactured goods which he uses and wears can be made cheaply and quickly in manufacturing districts. But for the purpose of maintaining an orderly exchange of profit between the farmer, as producer of raw materials, and the manufacturer, as processor of goods, there is great need of better agricultural organization.

Because of lack of industrial order today the farmer combines in himself too many specialized functions. He must be both an agricultural technician and a laborer, a financier and an investor, as well as an owner-manager-employer. Then he does a certain amount of manufacturing, curing and canning. After his crop is harvested, he becomes a distributor, and then, also, he is a consumer of the necessities and luxuries made by himself and other men. He must now become a scientist too. Such a conglomeration of functions calls for organized direction within agriculture, and for integration between organized agriculture and organized manufacture and labor.

Many attempts have been made to integrate agriculture in the United States, and successful farmers' cooperatives have been formed. But all of these organizations, like the labor organizations, have been as yet merely agencies for safeguarding the special interests of the farmer at the expense of those of the rest of the community. There has been no machinery for the integration of the farmer's interests with the general interests of American economy. The farmers' cooperatives have operated as mutual benefit associations, and the farm associations have operated as political organizations to get attention for the special interests of the agricultural population. It was inevitable that these organizations should develop along the lines of special interests in the present condition of unorganized economy, but different machinery and different points of view will be required in an Industrial Commonwealth. In the number of successful farmers' cooperatives which have been operating in the United States we have evidence that the farmer is capable of working with his fellows for mutual benefit, and it is merely another step from cooperating with other farmers

to cooperating with all the other units in our economy for the mutual benefit of all.

In an Industrial Commonwealth the farmers' cooperatives should be the same kind of organizations as the trade associations in the manufacturing and distributing branches of the industrial process. Through the National Economic Council and its subordinate agencies for credit, foreign trade, etc., the farm associations can take part in shaping the fundamental industrial policies which are so vital to the farmer as well as to the rest of the nation. The farm groups can also take an active part in administering those policies. The farm associations, integrated with those of the other branches of the industrial process, will enable the farmer to obtain proper financing, including credit for consumption as well as for production, proper marketing facilities and proper scientific control of production when necessary.

The farmer in an Industrial Commonwealth will obtain the advantages of crop insurance against lean years, and against flood, drought and other natural disasters. The farm associations will conduct scientific research in both farm technique and farm economics. The farmers' groups will also work out with packers, canners and commission merchants forecasts of needed production, with reasonable leeway for natural disasters, just as the wholesaler in manufacturing industry attempts to gauge his probable market requirements with the aid of the retailer. The industrial managers must aid the farmers to become co-managers of our industrial economy and must cooperate with them in the effort to develop the entire industrial process into an orderly, creative pattern.

Working with the credit agencies in Commonwealth system the farm associations would insure that the farmer received abundant credit to enable him to maintain prices that would give him a fair return, and to withstand the pressure of foreign markets or to work with them; and also, to enable him as a worker to obtain by the use of credit a constantly increasing purchasing power of his own. The farmers, being largely exempt from the operation of the anti-trust laws, are in a far better position than any other group to form organizations which can fix reasonable prices insuring a profit, and to regulate production in relation to probable demand. The lack of machinery for coordinating farm production with demand and the lack of financing for consumption resulted during the depression of the nineteen thirties in a disproportionate decline in farm prices compared with other industrial prices. From August, 1929, to August, 1932, prices of farm commodities fell more than 60 per cent, while prices of non-agricultural commodities fell 24 per cent. Because of

the total lack of agricultural organization on a national scale, agriculture suffered greatly from the strain of falling consumption and the loss of export markets.

The farmer is dependent to a large extent upon foreign markets to get a good price for his product in this country, and he must especially be prepared to take part in international affairs, for his goods are greatly affected by the situation in foreign nations. Foreign price competition is a serious problem for the farmer because in many nations agricultural products are far more important in volume and value than manufactured products. It is only under a scheme of coordination such as the Industrial Commonwealth that the farmer will be able to exercise influence on foreign markets and take advantage of foreign opportunities. Cooperating with the Export-Import Agency and with what might be called the Foreign Trade Credit Agency the farm associations will be able to plan for profitable exchange of farm products throughout the world.

The lack of proper coordination of agriculture with the rest of industry is responsible in large part for the great disparity between the prices received by farmers for their products and the prices of non-agricultural goods, a disparity which is a detriment to our entire economy. The difference between farm income and industrial income in a single branch of industrial agriculture is illuminating. In 1923 the gross receipts of the American farmer for tobacco retained for domestic manufacture were \$174,000,000. In 1932 the farmer's gross receipts for domestic sales of tobacco were \$63,000,000. On the other hand, the profits of thirty-four leading tobacco manufacturers were \$146,000,000 in 1932 as against \$76,000,000 in 1923. These figures indicate a trend in the difference between income derived from agriculture and income derived from manufacture. The tobacco figures are also significant for the reason that the income from tobacco taxes was the government's largest single item of revenue in 1932, with the exception of the revenue from income taxes.

In this connection Henry A. Wallace, Secretary of Agriculture, made a pertinent statement when he said: "It is food for thought, when agriculture has its back to the wall, to have a few food distributing corporations among the first dozen in net earnings of all the nation's corporations throughout the depression."

In its efforts to influence the trend of agricultural production and consumption the political government has made no attempt to work out general plans for all branches of agriculture but has concentrated on further encouraging farmers' unbusiness-like methods, on restrictive measures and on subsidies for special interests within agriculture. By

artificial measures the government has succeeded in checking temporarily the widening spread between farm income and prices of manufactured products. But no attempt has ever been made to bring agriculture into its proper position with relation to the economy by offering the farmer the cooperation of the packer, the canner and the food distributor. That important step cannot be taken by government but must be taken by the coordinated industrial bodies which we have advocated as agencies of the Industrial Commonwealth.

The machine, which helped the farmer to produce on a large scale, also was a factor in reducing the consumption of his products. The automobile and tractor require gasoline instead of fodder, and between 1920 and 1934 there was a decrease of about 10,000,000 horses and mules in the United States. These horses and mules would have consumed as much food as 40,000,000 people, according to the economist, Charles N. Edge, who found in this fact "one of the underlying causes of disaster to the American farm."

In an article in the *Living Age* for November, 1933, Mr. Edge wrote:

The total food requirements of men and animals (horses, mules, cattle, sheep and swine) in the United States in 1933, with a present population of 123,000,000, are only about equal in volume to the total food requirements of the United States in 1900, when the population was 76,000,000. In 1950, assuming the same rate of change in mechanization, the probable food requirements of an estimated population of 140,000,000 will be no greater than the present food requirements, or than those of 1900.

Mr. Edge also noted: "We now have 2,000,000 tractors and trucks fully employed, and probably 6,000,000 (one-fifth) of the farming community for whom there is no economic need, except as consumers." This fact places a tremendous significance on the farmer as consumer instead of merely as producer. By sufficient use of credit facilities the farmer's importance as a consumer can be emphasized in a constructive way, and he, like all other consumers with credit, can be of great use to the productive machinery.

The needs of the farmers can be imagined when we realize the relatively backward condition of the farming communities of the United States. Morris L. Cooke, Administrator of the Rural Electrification Administration, pointed out that less than 800,000 farms were electrified in 1935, and that there are five million farms which should have electric power. "Two million non-farm rural homes are still without electric service," according to Mr. Cooke. He revealed that a survey of the Mississippi Valley showed that more than six of every ten farms had automobiles, four in every ten had telephones, 25 per

cent had radios, "but water is on tap in only one farmhouse in every ten.

"Of the 30 million persons in this country dependent on agriculture for a living," Mr. Cooke pointed out, "93 per cent have neither bathtub nor shower; 76 per cent use kerosene or gasoline lamps; apparently about 10 per cent either depend on candles or are entirely without lights. Of this number 54 per cent heat their homes partially or entirely with fireplaces; 54 per cent heat partially or entirely with stoves; 48 per cent have to do their laundry out of doors, and 73 per cent have to carry water from wells or other sources of supply."

We can imagine the vast opportunity for domestic industrial markets which lies in this condition, and once the farmer is brought into the industrial picture and granted sufficient credit on a scientific basis for his needs, the industrial machine will be kept busy supplying him with the means for modern efficiency and for a decent existence.

The great saving which agriculture has made because of its use of machine power, although it resulted in a loss in consumption for agricultural products, could have been mitigated by intelligent planning for expansion of farm sales abroad. In spite of technological changes in agriculture the potential demand for agricultural products is capable of great expansion, and there is at present no way of telling whether we are not destroying valuable commodities and future markets by our restrictive instead of creative measures. Most suggestions for the betterment of the condition of agriculture are still restrictive, and a full realization has not been reached of the possibilities of expanding agricultural markets by the use of our vast credit machinery. Agriculture's problems, like labor's problems and management's problems, cannot be solved by artificial destruction of values. The farmer, working in conjunction with the banker, the foreign trader, the scientist and the manufacturer, has a creative mechanism at hand in the use of credit to finance the disposal of his products as well as their production. Restrictions and doles are not attempts to solve the agricultural problems of the nation, so much as they are political means to keep the irritated and hard-pressed farmers quiet for the moment.

The only real solution for the farm problem lies in the same direction as the solution of the general economic problem. We must first have a recognition of the facts of the machine age on the farm as well as in the factory, and then have an intensely cooperative effort on the part of industrial managers and farm leaders to fit agricultural factors into a logical scheme of production, distribution and consumption, with the aid of intelligent planning and the propulsion of credit. In this endeavor industrial management has a great function to perform, and

it can give the farmers of the nation the benefit of industrial experience with similar general economic problems and difficulties. All of our industry, especially agriculture, is called upon to consider the problem of a constantly decreasing number of farms and farmers needed economically—and farmers must themselves assume responsibility for the solution of this problem.

Politicians have encouraged the farmer to think of himself as a man apart, who by some mystery of nature raises his crops and depends upon the Lord, or the government, to provide outlets for them. But the farmer is no more a man apart than the mechanic in an automobile factory, in spite of the farmer's comparative physical isolation. When the Lord has failed to provide markets as well as crops, the farmer, by the use of the same pressure methods which are used by the manufacturer to get tariff legislation and by the union leader to get labor legislation, has attempted to force the government to provide subsidies or markets or to pay him for not producing.

In the opinion of those who have made a study of the farmer's problem from the scientific standpoint, these words may be of interest: "We should never pay any part of the population to keep from producing when there are unlimited things to be done and when our standard of living is so utterly short of minimum decency." The government has neither the power nor the ability to provide well-being for the farmer. Farm legislation has seldom helped the farmer because it has usually been an attempt to appease a disgruntled section of the electorate quickly with hastily contrived political measures instead of an effort to fit the agricultural section of the community into a well-ordered economic structure.

Cooperative organizations of farmers in the nature of farm trade associations fit directly into the raw materials division of our industrial republic. Through these associations the farmers will also be enabled to take advantage of the activities of the Export-Import Agency to develop world trade and of the credit activities of an organized industry to finance world trade and national consumption as well. The special trade associations of farmers have a great work to perform in cooperating with the construction and service organizations to obtain better rural housing, medical and dental care on the farm, recreational activities and transportation facilities. The great problem of rural electrification can be solved only by the coordinated efforts of the power producers and the consumers on the farms through the machinery of an Industrial Commonwealth.

In times of industrial prosperity farm labor flecks to the city and reduces wages thereby, and in times of depression men rush back to

the land to create a surplus of food products for the depleted purchasing power to absorb. Such a situation is anarchy, and it benefits neither the manufacturer, the laborer, the farmer nor the consumer. The colossal waste in agriculture due to lack of coordination of agriculture with industry is even greater than the waste caused by the lack of coordination between labor and "capital."

Education for cooperative effort is the great farm problem today because the farmer is no longer an individualist in our economy. He must consider the problems created by the machine as much as any other member of the community. The factory in certain fields is already replacing the farmer. The farmer, when he understands the interrelations of the economic process, will realize that the only way to insure a profit and security for himself lies in cooperating with his fellow farmers and with his fellow industrialists to build economic coordination with profit to all.

Early in 1936 the United States Supreme Court ruled as unconstitutional an act known as the Agricultural Adjustment Act. In effect this act sought through the government to collect a tax from industry which would be paid to the farmer or grower to compensate him for what he might not grow or produce. It sought to increase the income of the farmer by equalizing his position as against that of the manufacturer. The theory of economic compensation behind the act was a good one and might have succeeded as an economic proposition had the manufacturing industries and the farming industry united on a common scheme or plan. But the powers placed in the hands of the Federal government were so dangerously near to an invasion of our private lives that the act was declared unconstitutional. The real point, not said in so many words, but made by the Court, is that agriculture is a business and that if it wishes to get the help it needs it must organize along industrial lines. It is not a privileged or special class of the community—it is part and parcel of the whole economy. Agricultural marketing agreements in the public interest tied in with the processes of industry on a reciprocal basis would be legal and constitutional. But with agriculture as disorganized as industry we still have a long way to go to solve the problem of agriculture.

CHAPTER XVI

THE RÔLE OF THE CONSUMER

THE consumer occupies a position of basic importance in any economy, and in the Industrial Commonwealth he will receive more scientific attention than he has ever received before. Recognizing that our whole economic life is based on the ability of huge numbers of people to buy the products which we can produce so abundantly, the Industrial Commonwealth will make great efforts to stimulate consumers constantly and to aid them. Since a man is not only a consumer, but also a producer or investor as well, the consumer's rôle is always a multiple rôle. Efforts will therefore have to be made to make the consumer realize the nature of his triple interest: that in his job and his investment, that in the product which he buys and the price at which he buys it, and that in his continuous ability to buy products which he needs.

The economic importance of every individual's position as a consumer has come to be realized fully only since the machine has made mass production the rule. When men were still dependent to a greater extent than they are today upon the blessings and ravages of nature, emphasis was rightly placed on man's ability to produce. The early American colonists, for example, did not have to worry about an eventual market for their goods, because they had so few goods and so many requirements. The danger in those days was not so much that there would be overproduction without markets, as that, due to natural disasters, the limitations of manual labor or the monopolization of the supply of production, men would be without goods to exchange and to enjoy.

The machine has changed the entire emphasis of the economy. By making scarcity an anachronism and monopoly difficult, mass production by machine labor has shifted our economic point of view from a concern with scarcity of goods to a concern for abundance of consumers. We must have armies of consumers able to take up the vast flow of goods and services pouring from our farms, factories, mines and offices. It becomes one of the main problems of modern economy, therefore, to provide millions of consumers with a steady supply of income or credit with which to take up the production of industry.

For this reason consumer credit, as has been pointed out in the chapter on credit in this book, becomes one of the keystones of an Industrial Commonwealth.

With the necessity for beginning at once to absorb the increase in expense for wages, social security, research and profits, provided for by the plan here outlined, it becomes vital to get money in the form of credit, wages and profits into the hands of as many consumers as possible in as short a time as possible. This effort must be mapped out soberly, if production is to be absorbed fast enough to take care of the charges on industry without increases in consumer prices. The coordination of industry, however, is inevitable, and each man in his rôle of consumer will unconsciously readjust himself to the change in our economy which has been going on for some years, without getting the thoughtful attention it requires from the consumer's point of view.

Consumers divide naturally into three large groups. There are individual consumers, mainly women, who purchase the necessities and luxuries for the thirty million families in the United States. Then there are the industrial consumers, who buy the raw materials for factories and the manufactured products for retail establishments. And, finally, there is the government which, as consumer, represents one of the largest customers of industry. All of these groups have been offenders against the philosophy of profit under our present haphazard economic set-up. The individual consumer will be brought to realize that when he purchases any product at a price which is unfair to the manufacturer of that product, he is damaging himself as well as the producer, for very soon such sales without profit result in bankruptcy for both the individual and the economy.

The consumer has heretofore suffered greatly from the present haphazard system of arriving at prices, which will be changed to a scientific system under an Industrial Commonwealth. We are now witnessing in the main the economic paradox of low, unfair prices without purchasers in times of depression, and, in times of boom, high, unfair prices which at once limit consumers' purchasing power on a large scale. In so-called times of good business the mark-up from the cost which the seller placed on his goods was often excessive, until the seller by such tactics automatically invited competitors to come into the field and cause prices to be cut too deeply. Thereafter, prices became unprofitably low, and all manufacturers began to operate at a loss, just as previously they had been operating at a temporary profit.

Such a scheme is a senseless economic see-saw, and in the course of this chaotic rise and crash in prices, the consumer has suffered

most. For every consumer is also a producer, a wage worker or an investor, and as such is dependent for his ability to consume and to pay for his goods upon the continued prosperity of the entire economy. Without such prosperity his own private business cannot remain profitable for long. During the years of our latest depression we have witnessed the ridiculous spectacle of shops filled with goods at low, unfair prices, which were unpatronized because of the millions of potential consumers whose wages, profits and investments were damaged because those prices were unfair.

In the field of industrial buying, so important to the regular operation of our economy, there has been widespread use of unfair consumer tactics. The courts have recognized as legitimate the efforts of producers to protect themselves from the evils practiced by their customers. The decision of the Supreme Court of the United States in a case involving cement manufacturers is illustrative. Those who bought cement from manufacturers had been in the habit of misrepresenting to members of the industry the prices offered by other members. By doing so they broke the market prices and demoralized the industry. The Supreme Court ruled that the cement industry's efforts to protect itself from such raids on its price structure by some of its customers were fair and commendable.

Great progress toward fair consumer tactics has also been made by means of the statute passed in 1935 in New York State, known as the Feld Law, the principle of which has also been enacted into law in many other states. This law strengthens the position of the manufacturer who has a product which is identifiable by a brand name or otherwise in protecting his product from being sold at unfair prices by the retailer to whom he sells it. Manufacturers have had the right for some time to refuse to sell a retailer who would not maintain a fair price for that product, but this law gives the manufacturer the right to enter into a contract having that effect, with a retailer. Even though the Court of Appeals of the State of New York invalidated this statute in 1936 in part, in so far as it tried to bind those who did not enter into contracts under it, there is little doubt that progress has been made and that the principle would work even without a statute in our Industrial Commonwealth.¹ This was a great step in advance for the protection of the entire economy. The acts of each state are limited to products sold within each state, but the Supreme Court of the United States by its decision that public utility companies are entitled to a fair return has enunciated much the same principle of protection for the entire nation.

¹The principle of the entire statute, including the right to bind those not actually entering into contracts, was upheld, however, in the highest court in California.

And we can expect that when industry, organized on a self-governing basis, assumes its obligations in the public interest, the Federal courts will uphold it in its efforts to maintain fair prices for its products across state lines. This the Federal courts can permit and have permitted.

Methods of destroying the proper profitable price structure in industry have been used by department stores and others. For instance, a large department store, which buys its merchandise on a short-time delivery basis, encouraged a manufacturer to produce large quantities of a given article in expectation that the store would purchase the output. When the manufacturer had his stock ready for delivery, he was informed by the department store officials that the store would be unable to use his goods after all. Caught with an overproduction, the manufacturer sold his goods at a great loss to another buyer, and soon discovered that the man to whom he had made a sacrifice sale was a "dummy" for the department store which had encouraged the original production. The goods found their way quickly to the shelves of the department store at a loss to the manufacturer and his labor.

Such tactics are economic racketeering of the worst order, and the consumer is in a position to help to stop such practices by refusing to buy from those who use them. Some department stores by their unfair purchasing policies have thrown thousands of men out of work and caused a depletion in their own business by destroying the purchasing power of customers. At present one organization may make a temporary profit by such tactics, but under an Industrial Commonwealth the rest of those interested will have the opportunity and the machinery for protest and investigation of unfair industrial purchasing and for remedy by voluntary agreement or by legal decision if necessary. Under present circumstances when business is not organized in the public interest, it is difficult for individuals to get redress for unfair industrial buying practices, but such redress will be obtainable effectively and quickly by an organized industry, acting in the public interest.

The individual consumer is sometimes guilty of similar unfair trade practice, when he misrepresents to a frightened storekeeper the price at which he was offered the same goods at another store. The consumer has often ordered goods and refused to purchase them, waiting for a subsequent mark-down and thereby profiting unfairly at the expense of another partner in the industrial process. The consumer, whether individual or industrial, must be made to realize that he gets his money with which to buy from those who sell him goods, just as they get from him their money to purchase. It is recognized, of course, that an enormous task of education and organization lies ahead.

The government, which purchases vast quantities of goods and services for community use, has also been an offender in fostering unfair trade practices. We have already referred to the government's insistence during NRA days on a 15 per cent reduction from the prevailing prices for the commodities it was purchasing. The government has also insisted that the telegraph companies should carry its messages at 40 per cent reduction from the rate to individuals and private corporations, and the government has by such tactics merely used blackmail, for the threat behind its insistence is, by implication, that the government will operate the telegraph companies if it does not receive this unfair rebate. Such governmental purchasing policies are as unfair as the insistence of certain corporations in the eighteen eighties that the railroads give them special rates over those extended to their competitors.

By its tactics the government has thus thrown thousands of men out of work because they could not be employed at a fair return. It has thus destroyed their purchasing power and increased its own burdens, for these men then had to be taken care of by the government's doles and works projects. In addition, the government has by its unfair purchasing policies destroyed its own income, for the government is dependent upon industry for its revenue, and each time it takes a profit at the expense of industry, it destroys the taxable value of industry. When the government collects taxes without permitting industry to obtain a fair return on its efforts, the government is guilty of confiscation of property without due process of law. In the letting of their contracts the Federal, state and municipal governments of the United States have frequently aimed at getting the lowest bid at all costs instead of the fairest bid, based on a reasonable analysis of costs and conditions of manufacture.

It is essential that industrial managers and economic leaders make efforts to find out scientifically the proper costs for goods and services, assuring a fair return to every partner in the industrial process, and protecting the consumer at the same time. It is impossible for such scientific cost data to be obtained under our present set-up, because each member of the industrial process is afraid of his competitor and will not disclose the necessary data. This is another important reason why industrial coordination in the form of an Industrial Commonwealth is both essential and inevitable. What cannot be accomplished by individual, competitive means, should be accomplished by cooperative means, for we cannot operate profitably without approaching rationally the problem of costs and prices. Scientific methods of cost finding would also place industry in a position to control its price level, and to change

it to a lower level in order to yield a higher return or change it to a more profitable level when it was found to be impossible to obtain a fair return on a low level.

With prices determined on a scientific basis and on the principle that everyone concerned in the process of manufacture and distribution of goods must obtain a profit, the buyer will be much less likely to attempt to get personal privileges at the expense of sellers. Under an Industrial Commonwealth it will gradually become impossible for him to use unfair trade practices, but it can be expected that the consumer, whether he is individual, industrial or governmental, will readily submit to scientific prices, because he will feel confident that he is paying prices carefully arrived at by conferences between members of all the branches of his industry. The consumer will then know that he is no longer at the mercy of gougers. Buying and selling will thus become a science instead of a battle of wits and ballyhoo between the seller and the purchaser. Rugged individualism in consumption, as in production, must give way. Eventually each price tag may tell the total cost and the net profit. The need to retain the confidence of the buyer may bring this about when we all realize that the profit of Peter is what enables him to pay Paul properly.

We have made some progress in preventing unfair trade practices by means of adulteration, false branding and fraudulent advertising. We have also made some progress in developing standards of fair labor conditions. But we must develop these principles further. At present there is an absurd scramble in industry and by individual consumers for cheapness regardless of profit, and this very scramble delays the possibility for all branches of consumption to obtain really cheap prices. When the consumer realizes that he is really buying from himself, he will have a different point of view in his purchasing policies. The consumer under present conditions is necessarily a trader, and it is not necessary to change him. But it is necessary to change the system under which he trades, and in that effort the consumer in every department of the economy must help.

There are hundreds of instances of changes in consumer habits induced by the inability or unwillingness of consumers to buy at certain prices. This is a protection of which consumers can always avail themselves. Most of these instances have been backward steps made necessary by economic stress, but some of them have resulted in great industrial changes. The price of some raw materials having become high, others were discovered or substitutes devised at lower prices. No one must buy any one product, not even food, and the seller is always at the mercy of those who can refuse his product because his

price is higher than that of a competing product or a competing individual.

The problem of educating the consumer to expect to pay fair prices is an important one, and it depends for its complete success upon the development of some form of industrial coordination. The success of a Commonwealth of Industry depends in large measure upon its ability to make consumers realize that a fair price is as necessary to their welfare as the air they breathe or the water they drink. The consumer by insisting on unprofitable prices encourages cuts in quality at his expense, and endangers the eventual safety of his bank deposits and his insurance policies. Under an Industrial Commonwealth a fair price would in most instances be lower than the prevailing prices in our present industrial chaos, because of the great efficiency of cooperation and the great stimulation to purchasing power which we could expect from the credit policies of such a plan. It is only by industrial coordination that the consumer can be certain of fair prices and fair quality for products manufactured under decent conditions, and it is only by such coordination that the consumer can safeguard his position as a producer and investor.

CHAPTER XVII

THE RÔLE OF WOMEN

AN INDUSTRIAL COMMONWEALTH will be organized only when public opinion is ready to receive it. Meanwhile, women can play an important part in the reception and application of the new economic ideas which will be used in the future. Women should be especially interested in the program here set forth because of their vested interest, from the point of view of the family and of posterity, in matters of social improvement and social well-being. Women particularly should be able to see in this program for economic order the prime solution of the problem of war, which concerns them so vitally. Women can best regard industrial self-government as the only way of escape from the effort being made in Fascist and Nazi states to place them in a disadvantageous, subordinate position in the social order and the economic scheme.

It is less than one hundred years since the first woman was graduated as a physician in the United States, and it is an even shorter period since the first woman began to practice law. In the early days of the factory system both here and in England the crimes committed against toiling humanity were as great against women as against men. For centuries women were denied an education and until the machine revolutionized methods of manufacture their work (much of which constituted the actual production of goods) was performed almost entirely within the confines of their home.

Women as purchasers for consumption form the most important group among American consumers, and as such they should be especially interested in the basic tenet of industrial philosophy that a profit must be paid for goods in order to maintain the economic life of the country in a healthy condition. It might on the surface seem like asking too much to expect women to give up the habit of buying "sale" merchandise, but, as a matter of fact, fewer women are fooled now by "sale" merchandising tactics. They realize and should be made to consider always that they and their families are paying for profitless industry in other ways. No complete program has ever been presented to American women to show them why and how they can avoid

being their own worst economic enemies, and there is urgent need of such an educational effort.

In practically every town and village in the United States we see women who are still in their youth broken in health and in spirit by the anarchic evils of our disorganized economic structure. Industrial management must undertake to rationalize and to solve the problem of women's participation as a class in the new civilization which is unfolding before our eyes. It is also the concern of our industrial managers to help build a race of men and women who will be adjusted to the changes which have taken place so rapidly in the modern world. Crime, disease, inefficiency, ignorance and preventable abnormalities among the children who will become the adults of tomorrow have cost us billions of dollars and much mental anguish.

There is no reason why manual labor of a kind beyond the physical capacities of the average woman should ever be performed by women. We have plenty of man-power for our industrial machinery and plenty of machine-power to take the place of women who are now toiling unnecessarily for cheap and profitless wages.

From the point of view of industry generally the inability of millions of young men and women to marry because of their economic condition is unsound and disastrous. Industry loses in purchasing power every year because of the millions of homes which are never built and the potential increase in our purchasing population which is cut off because so many people cannot afford children and vital and valuable family expansion. The youth of a great many women is taken up in toil which breaks them and makes them unfit to marry or to prepare for marriage, and such a situation is all the more heart-rending because that same toil could be performed better, more cheaply and without damage to emotional and spiritual values such as we suffer today.

Women should do creative work and not old-fashioned and needless drudgery. In addition to their primary function as mothers of children, many more of them in the machine age could develop into scientists, doctors, lawyers, organizers and artists if they were relieved of the physical burdens now imposed upon them by the maladjustments of a disorderly economy.

Competition between men and women in the economic order is as much to be deprecated as competition between business men and business men and between laborers and laborers. In a society organized on logical lines there is no room for such wastefulness and destruction. Men and women each have their separate functions, just as laborers, managers, farmers and consumers have, and care should be taken by

the industrial statesmen to see to it that the sexes shall not continue to destroy their values by useless competition.

The National Economic Council of an Industrial Commonwealth can work out a plan by which no person, male or female, should be employed before he or she is eighteen years of age. We almost succeeded in this under the NRA. In addition, organized industry can set up a credit for each child as it is born to provide sufficient means for the training and development of that child, so that he or she can take the proper place in our industrial economy on reaching maturity. The haphazard manner in which we throw people into our economy cannot continue in a properly mechanized civilization. Industry and the government should work out formulas together to insure that we shall enjoy free play for the abilities and special talents of women as well as men, so that their great contributions to our economy, to industry and to society can be exploited fully.

Insurance during the period of child-bearing should be granted to women, so that they may have the proper peace of mind and the proper consumption value during that most important period of their lives. Industry would profit enormously in increased sales if the child-bearing women of America were all in a position to satisfy the necessities of their condition.

Women are still the victims of sex discrimination in most of the trades and professions in which they engage. The woman of ambition and ability is shackled with traditional handicaps imposed upon her by the competitive instinct of men. They are not paid profitable and fair wages even in those professions where they enjoy almost a monopoly, such as library work and nursing. These positions are notoriously badly paid in proportion to the education and training required for them. In the nursing profession particularly, employment is both uncertain and poorly paid when one considers the vital importance of that work to mankind. Women in this profession should be guaranteed assured income and should be covered by insurance and credit extension during the periods when they are not actively employed. This guarantee and this insurance should be shouldered by industry, largely.

The lowest form of legalized economic crime is the exploitation of women who work in the home on a piece-work basis. Those who exploit women in this fashion are often forced to do so by the competitive conditions of their trade. The needed buying power of industry is destroyed by such cruel exploitation and such competitive tactics.

There is a large group of employees in this country who always will come directly under the control of women themselves. These are

the houseworkers, governesses, and teachers of the country. In these professions and trades women have been offending exploiters as much as men have in other forms of industrial activity. The cruel exploitation of women by women will stop when women are made to realize the importance to their own prosperity and family security of the purchasing power and credit value of their servants.

In this great field of economic activity women with statesmanship and leadership can perform important service by working out plans and formulas for fair practice and economic security. By cooperating with the leaders of industry in other fields, women can solve the important labor problems within the home. The technological advances which have already been made in house work will solve the problem to some extent, but a vast part of the population must be synchronized with the rest of our economy and granted recognition and prestige for the valuable social services they perform. Home employment can and should be given a professional standing, and much of the work involved in it can be lifted out of the realms of drudgery and manual labor as soon as some of woman's inhumanity to woman gives way to social consciousness within the home as well as in industry generally. There is no reason why this important field of economic and social activity which concerns women almost exclusively cannot be related by them to the rest of the economic order.

Unless the women of the country get behind a program of industrial self-government there is little doubt that they will be faced with intolerant dictatorship of their important functions and services, such as has taken place in Germany and Italy, where women have been relegated to the position of breeding-machines for future wars. The private and personal life of women must be safeguarded and their economic life must become secure. Women constitute almost half the population of the United States. They must be recognized both for their differences from men and for the similarities of their problems in our industrial order. The kind of marriages we shall make, the kind of homes we shall build, the kind of race we shall create, and the speed with which we shall increase or decrease our population are vital problems, and their solution depends in large measure upon the economic pressure of society as well as upon our sociological, psychological and eugenic development.

At present our population is tending to decline. By an intelligent planning of our economic life and by careful consideration of the special problems of women and mothers in an industrial civilization, we can guarantee a steady supply of necessary and valuable human beings. We should endorse the principle that women will receive equal

pay for equal work, and we should insure that women are not hampered in their efforts to attain fullest development in art, science, law, education, government and industry, as well as in child-bearing and child-rearing. Under such circumstances we shall be able to get the full benefit of the power and cooperation of women as human citizens of the new empire of the machine and as properly protected and related economic units in that empire.

CHAPTER XVIII

THE ACADEMY OF INDUSTRY

IF WE are to have a program for intelligent social management such as is outlined in this book, we shall be called upon to enlist enthusiasm in its behalf as rapidly as possible. The latent public support for industrial democracy will have to be mobilized by dramatizing the importance of the struggle for decent existence. Such educational work can be done best by an Academy of Industry, for which there is important need at present in the United States, whether we progress slowly or rapidly toward the establishment of an Industrial Commonwealth.

An Academy of Industry could serve in many definite ways to broaden the understanding of the people of the United States concerning the values and possibilities of the machine civilization under which they live. By making the people understand the implications of the great gift of the machine, the Academy of Industry could win their enthusiastic cooperation toward a realization of the machine's potentialities. Such a body could also dramatize and humanize the struggle for political and industrial peace and the fight for a stable economy of abundance. Just as the government mobilizes public support for a war, the Academy could constantly enlist public support for the economic war on poverty.

Such an Academy should eventually be the arm of organized industry itself, but the government could lend its prestige to the organization of such a body, just as the governments of this continent helped to organize the Pan-American Union. A rich man or a group of rich men who wished to leave a heritage to the country could do no better than to take the initiative in the establishment of an Academy of Industry in the United States.

An Academy of Industry would give practical realization to the dreams of Aristotle, Bacon and other philosophers. It would help materially to educate a population of industrial philosophers for the first time in history. With ideals for an industrial civilization as broad as those of the ancient philosophers, the Academy of Industry could also provide reward for merit in industry, just as the French Academy rewards merit in literature and the Legion of Honor in France re-

wards peace-time service to the republic. In Great Britain men who perform services for the nation receive titles in recognition of their good work, and in Russia today workers who have performed services for the state receive the Order of Lenin and other distinctions.

American industry needs the same kind of recognition, in order to distinguish by marks of honor the creators, thinkers and administrators of industry. Except in specialized fields of science, the arts, war and personal heroism, there is no recognition in America for merit today, and we have relied too much on the use of money as a reward for genius and talent in industry. We need greater distinctions than money, for money is made by the talented and the untalented, and is inherited by the deserving and the undeserving. As a mark of distinction it has no value. The man who is performing distinguished service in American industry today is giving all of us the means to accomplish what all mankind has always striven for—economic security and cultural living, and his distinctions and honor should be greater than they are.

An Academy of Industry can perform valuable work in helping us to adjust our values to the changes in our lives which the machine has made so rapidly and unconsciously for most human beings. While they were too busy working for it and being conditioned by it to realize its full implications for them, the machine age crept up on business men, workingmen, farmers, consumers, lawyers and other professional men. Since our latest depression much thought has been given by individuals to the problems and consequences of power production and machine civilization, but there has been no attempt to crystallize that thought into matter which could be made available to all branches of the population.

In our industrial civilization we need industrial education of a higher order as much as we need organization, and an Academy of Industry would be a body capable of carrying on such important educational work. The Academy should begin the great task of educating all divisions of the people in their interests, obligations and privileges under an Industrial Commonwealth. It can point for all of the people the paths to a finer future.

In the past too much of the blame for our economic sins has been put on "human nature." In a society of great economic contrasts and great insecurity the possession of even a little money has a profound effect on the "human nature" of the individual. We used to be assured that one cannot change human nature. In Russia and, on a smaller scale, in Germany and Italy, it has been demonstrated that it is possible to change human nature in many fundamental respects. The children of

Russia today, educated to believe in the state as their God, are as different from their grandparents as men of today are from men of the eighteenth century. If it is possible to rally a huge, amorphous, uneducated and widely separated population with bad communications to allegiance to a regimented state, it is also possible to rally a population such as that of the United States to the advantages and opportunities latent in an Industrial Commonwealth. All that is required is the establishment of a powerful educational agency to carry on this vital work.

The problems involved in war, disease, dishonesty and crime are some of the subjects to which an Academy of Industry could direct thoughtful attention. In spite of the fact that we have begun only in recent years to apply laboratory methods to our social problems, we know enough to realize that poverty and ignorance are two of the greatest breeders of crime, disease, dishonesty, brutality and war. We also know that at the base of these evils lie important economic maladjustments, and that it is only the rare individual who steals or exploits his fellow-man cruelly if he can obtain well-being in other ways. The percentage of criminals who grow up from the ranks of the underprivileged children is overwhelmingly large, and is sufficient evidence to establish the alliance between economics and morals.

We can see from our recent social history that the possession of mere money without education in its proper use did not result in improving the cultural status of the mass of individuals. We have been too much accustomed to measuring a man's success in industry by his financial return, and we have not established proper agencies for rewarding important philosophical and technical success in industry with spiritual recognition as well as financial return. During the boom years of our illusory prosperity the spirit of indiscriminate grab and lavish spending was the spirit of the country. Our wealth produced few cultural results, because we had not established cultural standards. In industry a man's bank account has too often been the criterion of his worth instead of his achievement being the real indication of his value. But the era of prestige for the millionaire *per se* is over, and we must now emphasize more and more the prestige for services contributed to public betterment. When our society is organized for the public interest instead of permitted to drift for private benefit, the man of industrial achievement will receive the proper recognition in prestige.

There has been a tendency among some thoughtful people to decry the materialistic nature of most plans for economic security. But it is obvious even to these critics that most men are unable to concentrate

on ideals of self-development and on standards of public ethics and private conduct until they are free from the strain of constant concern for the essentials of existence. In a society in which economic insecurity prevails the opportunity for the good life which philosophers and clergymen urge men to take, is denied to the majority of the population. Even the fortunate individual can afford to maintain a good life only for short periods in our present haphazard economy. The result is that the majority of men are constantly preoccupied with the safety and security of their income. All of man's aspirations toward intellectual, scientific, philosophical or artistic perfection are subordinated to the gnawing probability of want. The effort to attain economic order and industrial self-government would release men to think more in terms of ethical considerations.

The American public needs badly to learn how to live, and an Academy of Industry would contribute a great deal toward the establishment of high standards of living and achievement. In collaboration with other educational institutions, the Academy of Industry would develop a practical philosophy of life. It would instruct and lead the people of industry in the use of their leisure time for the best advantage to their happiness, culture and well-being.

An Academy could be organized immediately on an endowed basis in order to promote the necessary ideals and aspirations without which industry cannot prosper materially and govern itself fairly. Industry itself, through its trade associations and through campaigns for individual membership, could establish an Academy of Industry if it had leadership.

An Academy would work out a basis for the awards of merit which would recognize achievement and encourage industrial effort. It could offer an award similar to the present Nobel Prize which rewards achievement in science, literature and the realm of world peace. If properly administered, an award by the proposed Academy would soon attain great distinction in the world, just as the Nobel Prizes have attained distinction in their fields and the Pulitzer Prizes in theirs. Men's interest in industrial accomplishment and industrial peace is even greater than their interest in science, the arts and political peace. The Academy would recognize unusual merit in every branch of the economic process, and its ideals would be spread widely throughout the population, instead of being limited to the few individuals of outstanding achievement. The Russians in their limited way are making the most of this kind of effort. Their recognition of unusual productive skill, or technical skill, or special contributions of ability to the economy, has helped their industrial progress enormously.

The Academy of Industry would be the logical body to promulgate and publicize the goal for industry which must be set by the National Economic Council for all of industry and the separate goals which must be established by the subordinate groups within industry. The Academy could coordinate the scientific industrial studies of the various branches of industry into a real national plan for the future, while the factual, administrative bodies of the Industrial Commonwealth were concerning themselves with the state of their particular industries. The Academy could logically concern itself with the relations of employer and employee and of citizen to the government. Working in conjunction with the National Economic Council, the Academy could function as the agency for coordinating social thinking. Much more could be accomplished toward the advancement of economic planning, if we had some body to gather and to distribute the data on the function of each group and each individual in an economic plan.

The Academy would be able to indicate to every person in the country his or her particular stake in the establishment of industrial order, and his particular profit from such a joint effort. If any economic plan, working toward an objective social goal, is to succeed, the mass of the people must understand clearly the advantages of such a plan, and it would be the duty of the Academy to disseminate such an understanding of the underlying purposes and possibilities of industrial organization of the nation.

Today we have millions of adult Americans who have no clear understanding of the economic interrelations of our society. We also have millions of children who are not taught the primitive, basic interrelations of industrial society. These children must be the industrial leaders of tomorrow, and it would be the task of the Academy of Industry, cooperating with the schools and adult agencies of education, to make a concerted and continuous effort to enlighten the population on all phases of its general economic problems. It would then become increasingly difficult for demagogues and corrupt interests to impose their propaganda on the people of the United States.

The establishment of an Industrial Commonwealth will not come in this or any other country without a great struggle with the forces of avarice, and in that struggle the Academy of Industry can take an important part. People whose personal interest in the present disorder is great will make efforts to block the necessary shifts which must come in our economy before we can have a Commonwealth system. Such people will make efforts to confuse the public, the small business man and the large middle class of salaried workers concern-

ing their stake in a changed economy. They will enlist thousands of other people and millions of dollars in their efforts at clever propaganda, and the Academy, disinterested and unbiased, can be an important factor in combating such insidious political and economic influence.

Those in politics, finance or any other realm of life touching industry who issue misleading propaganda will be face to face with a body ready to counteract their efforts. Industry itself will benefit greatly by a counter-attack carried on by a body such as the Academy of Industry, whose reputation for integrity will always be above suspicion. In its educational and publicity work the Academy will never represent any one branch of the economy, and its studies will embrace the problems and point of view of the industrial, agricultural and labor groups in our cooperating economy.

The Academy will also foster the development of institutions of learning which specialize in industrial problems, and it can perform an invaluable service as a *liaison* organization between such institutions and the active branches of our industrial economy. Since the basis for the future philosophy of our machine age must be laid in the schools, the Academy of Industry can aid in the presentation of material on modern industrial problems in schools, colleges and universities. Most of our present business colleges are no more than trade schools, which teach specific tasks without welding them into the general form which our economy must take. The Academy can perform an important task in aiding that necessary welding process.

The Industrial Commonwealth which has been outlined in this book would by its very nature be open to constant improvement and development by means of the pressure of changing ideals and new philosophy. The Academy would be a valuable adjunct to the Industrial Commonwealth by keeping it flexible in its operations, so that it would never fail to benefit by new developments in any field of human endeavor. No new order can be a static one, and the Industrial Commonwealth will require plenty of forward drive and will present constant problems for adjustment.

In addition the Academy of Industry could serve as the *liaison* organization between government and industry, in order clearly to establish the limits and opportunities of both. The endorsement of the Academy for any program or measure of economic and social service legislation would be of great value in keeping our political government abreast of our industrial developments.

Today we are in an era of shifting values, as humanity attempts to adjust itself to the new situation created by the ingenuity of man.

We are on the way to achieve an industrial civilization of the highest type, but we must see our problems clearly and set up the proper administrative machinery for their practical solution and the proper educational machinery for continuous research into their manifold aspects. The only alternative to voluntary economic organization is eventual political revolution and potential tyranny by the state. With the disappearance of free land and the development of the backward places of the earth, the opportunities for people to break out of the molds of their lives of poverty and insecurity have been decreased. Now we must change those molds, so that every member of society can function to greater advantage than he does today.

We are among the few countries that came out of the World War with our political liberties intact, and we have the power to be the nation which will come out of the world-wide depression with our industrial liberties and opportunities unlimited yet coordinated. Industry alone can control our economic life for the benefit of the entire population, and in this book I have tried to indicate some of the principles which can serve as a foundation for our economic structure. This foundation will necessarily be altered and improved by others concerned for the industrial welfare of the United States, as the industrial structure develops in the future, but without the principle established of the separation of Industry and State we are bound to see the collapse of Western civilization. The hope and promise of the machine to free men will have been in vain.

We can guarantee the industrial rights and privileges of all, just as we have guaranteed and safeguarded the civil liberties of all. It is my belief that the United States will be able to work out an economic democracy on a par with her achievement of political democracy when the people understand that union is as vital in economics as in our government.

APPENDIX

A POLITICAL PLATFORM EXPRESSING THE PRINCIPLES OF AN INDUSTRIAL COMMONWEALTH

VERY few people who have not had special training in economics and sociology as well as business will get the full import of our plan and program unless it is expressed in terms of a political idea. Most writers, thinkers, economists and especially politicians can see a solution to our economic problems only through the political parties and government agencies or by legislation. That is what may be called their conditioned way of thinking. It therefore becomes necessary to attempt to express the views we hold in a political platform. We believe that before long such a platform will be adopted or a party having such a platform will be formed. In this way may well come the formation of a new party which a great many have believed necessary if we are to have new political forces with new ideals to cope with the problems which face us. If our Commonwealth of Industry comes sooner by virtue of a political movement, it will still be welcome. The political platform is as follows:

We, the party of the United States, in national convention assembled, do affirm our belief in the safeguards inherent in the Constitution of the United States, and we declare that we favor industrial-democratic principles as well as political democracy.

Realizing that industry now embraces all branches of the economic process, we recognize the importance of the revolutionary changes which the machine has made in our civilization during the last three decades.

We believe that it is time to take note of the alterations required in our industrial organization to meet the changes which have already taken place in our industrial life. We favor constructive action to bring our economy into line with our technology.

For the first time in the history of the United States, it is completely within the power of its people to inaugurate an era of plenty. They have the resources and the physical machinery to create abundance of wealth and permanent security for the entire population, and they have already exhibited in the past the ingenuity necessary to operate creatively and with reasonable efficiency a vast industrial machine.

We believe that the machine, properly used, is man's means of liberation from toil and his inanimate slave. Uncontrolled, the machine is capable of enslaving man and of throwing him out of work into poverty.

We are the victims of an economy of scarcity in an era of abundance, and we are witnesses of the distress and misery of millions of people who are unable to provide for themselves and their families. We have observed the complete failure of political agencies to remedy economic maladjustments.

For many years politics and government have interfered with our economic process instead of aiding it. We do not blame any other party, but we deplore the system by which industry is hampered by politics and government, and by which politics and government are corrupted by finance and business.

Because of the fundamental changes in the way we make goods, the factory, the store, the farm and the mine have become interdependent, and the individuals engaged in the many occupations in the industrial process form a great group, with power for progress and prosperity. Because this vast industrial machine can function properly only through an agency suited to its own requirements, the bureaucratic and commission forms of government control are no longer valuable.

We believe that the American system of government is designed along lines which both permit and demand self-government for industry.

We believe that industry can be managed and operated only by industrial managers, technicians, workers and farmers, organized on self-governing lines and cooperating in the public interest.

We favor the immediate organization by industry of a National Economic Council with self-governing powers and economic privileges. We believe that industry already possesses the nucleus for self-government and for establishing a National Economic Council as its governing body. That nucleus consists of the trade associations, labor bodies, technical groups and other organized parts of our economy. We believe that these groups should receive the encouragement and aid of all elected and appointed public officials in their efforts to make agreements in the public interest. We pledge the aid of our elected and appointed government officials to the members of these organizations, which already embrace entire industries, in the effort to set up governing boards for their individual industries and governing boards for the self-government of the entire industrial process.

We believe that inherent in the scheme of mass production and electrically driven machinery is the tendency constantly to lower prices, improve quality and develop better working conditions, all in order that, by raising the entire standard of living, we may also raise the buying power which keeps industry employed.

The National Economic Council must pledge itself to operate in the public interest.

The National Economic Council must guarantee to provide for the entire employable population of the United States at fair wages.

The National Economic Council must see that a substantial percentage of the profits of industry is set aside to be distributed among the workers in industry, constantly increasing the income of the lower wage and profits groups so that the purchasing power of the entire nation may grow progressively, and so that our economy may always be maintained on a prosperous and stable level.

The National Economic Council must assure justice to all by initiating agreements in the public interest on the part of its member industries. Such agreements shall commit them not to sell goods and services at less than fair and profitable prices for both the seller and the buyer, and shall provide flexible machinery to control the plan.

The National Economic Council must pledge itself to make the most constructive and exhaustive use of the vast credit resources of our economy for the benefit of the entire population of the United States.

The National Economic Council must undertake to provide machinery by which industry will guarantee the income of government necessary to carry on government functions, and in this way industry shall have "taxation with representation," which as an entity it does not now have.

We believe that when the National Economic Council accepts the above obligations and responsibilities, it will be on the way toward developing a complete Industrial Commonwealth within our present political framework.

We believe that all agreements along the lines of the above pledges taken by the National Economic Council in the public interest are sanctioned by the decisions of the Supreme Court of the United States handed down since 1911, affecting combinations in industry and interpreting the anti-trust laws.

We believe that where court decisions are inadequate or legislation is inadequate, the National Economic Council should make all efforts to obtain such enabling legislation as will permit the greatest amount of self-government of industry under supervision of the courts. This party will support such efforts.

We maintain that it is of vital importance to separate the powers of the state and of industry. The state, as represented by our elected and appointed officials, should no longer interfere with the administration of industry, organized in the public interest, and represented by leaders of every branch of our economy. We believe that only in this way can we develop that best government which governs least.

We believe that all restrictive governmental agencies and directing and controlling governmental boards which now attempt to administer industrial matters should be gradually dissolved and replaced by self-governing agencies of industry, as industry demonstrates its ability to function in the public interest. Such agencies should be constantly, as they must be, under the supervision of the courts of the United States and of the respective states.

We demand that the political government of the United States should recognize the essential right of industry to a fair profit, or in more modern terms, to a sum equal to the reserves industry requires to fulfill its social obligations, and we insist that without such profit or reserves industry is powerless to function and to take care of the entire employable population. No revenues for the government itself can be raised unless the government encourages industry to make a reasonable return. With a new government attitude toward industry, government should not have difficulty in balancing its budget.

We believe that the government itself should provide insurance and benefits only for the unemployable part of the population, while industry accepts full responsibility for the employable population. We believe that industry should also be consulted in the government's use of funds for unemployables.

We wish to insure a constant improvement in the lives of the population and a constant development of the splendid economic machinery which we have created, by aiding the Industrial Commonwealth to use our vast credit resources on an unlimited scale and on a scientific basis. In the intervening period between the present economy and full industrial self-government, we believe that the credit of the government should be made available to industry to further its plans along these lines.

We believe that industry should pledge itself to supply the necessary credits for highway, flood control, waterway, reforestation and similar projects, the credit being particularly supplied by those branches of industry which profit by that work.

We believe that every man, woman and child is entitled to a definite consumer value in the industrial and financial scheme of things and should have a known credit rating based upon his present and ultimate value to economic society.

We believe that the basis for international credit must be the consuming power of the people of the world, just as the basis for credit within the United States should be the consuming power of the people of the United States. We believe that the intelligent use of credit on an international scale is the only means for preventing the recurrence of horrible and costly wars throughout the world, which may eventually result in the destruction of modern civilization.

We believe that the National Economic Council should negotiate treaties and agreements with the economic interests of foreign nations, and that in this endeavor the National Economic Council should be aided by the government.

We believe in the fullest use of the Bank for International Settlements, both for general financial exchange purposes and for the development of international credit facilities. Such a use of this bank will make it a powerful agency for the furtherance of economic peace and prosperity, and a powerful instrument in preventing the wasteful expansions and use of armaments throughout the world.

We believe that the organization of industry along self-governing lines will result eventually in the disappearance of the need for armaments and of war, since the origins of war lie in the economic maladjustments of disorganized industry.

We demand full publicity for every act of both government and industry.

We condemn the prevalent dependence upon the personality of the President of the United States for leadership and for dictatorship in economic and industrial matters. We believe that industry must make itself independent of the executive or any other branch of the government, except the courts.

We believe that in the interim before the organization of a National Economic Council the government should stimulate and support research on a much larger scale than has ever been attempted in matters of public health and public welfare, and that such work should not be dependent entirely upon agencies of private philanthropy. We believe that in this field particularly, the government and industry must work together closely.

We condemn the use of children as workers until they are eighteen years of age. We further urge that as soon as practicable women should not be used as laborers in manual or factory work, since we believe that women have a higher and more important duty to perform for society.

We believe that an Industrial Commonwealth must set up a goal for American industry, as well as goals for individual units within industry. We will aid the administrative bodies of the National Economic Council to formulate, to promulgate and to administer scientific industrial goals.

We believe that the farmer, the laborer, the industrial manager and the technician must cooperate in the effort to develop man to his fullest extent as a consumer as well as a producer, so that we may achieve a higher and higher standard of living and a permanently secure base for our economy.

We believe that the types of collective political domination of industry which have come into being in certain countries under the general classification of Fascism, Nazism and Communism are repugnant to the American interest in political liberty and private life, and we believe that they are also disastrous to the economic machinery which we have toiled for so many years to develop. In order to safeguard our valued liberties and to foster our industrial ingenuity, we believe that industry must develop self-governing, democratic forms, which need take no leaves from the books of Fascism, Nazism or Communism.

Impressed with the outstanding importance of industrial coordination of all parts of our economy, we pledge our candidates for office to work at all times for the establishment of self-governing machinery for industry and to lend the aid and encouragement of all governmental agencies to the patriotic efforts of industry to organize itself and to govern itself in the public interest.

In addition to the Political Platform above outlined for the purpose of expressing our idea in a political form, we are also submitting a "pledge" which those who "join" the political party adopting our platform may be required to adhere to and which in another way seeks to impress the points made in the body of this book.

1. We as BUSINESS MEN AND WOMEN engaged in the management of American business accept the responsibility which is ours for the direction of the economic process. We agree that we will not return to the obsolete business practice of unrestrained competition and resultant chaos and constant uncertainty. We pledge ourselves to exercise industrial self-government in the public interest, either by agreements or through some other lawful means, and to relieve the government of the task of regulating industry. We are dedicated to setting up and operating under an industrial "constitution" which shall prove as successful a guide for the operation of business as the American Constitution has proved for our political government.

In return for the recognition of our right to a reasonable return we hereby recognize the rights of the employee as well as the investor to participate in such profit as industry may receive. We therefore undertake the task of providing employment at an adequate wage level for every man and woman capable of work and desiring employment. We agree to work toward an ever-improved standard of living for all employees, and for shorter hours, improved working conditions, old-age insurance and similar employee benefits. We agree at no time to weaken the structure by selling our products below cost, and we also agree that through research, elimination of waste and increased volume of consumption we will strive to produce constantly better products at constantly lower prices, thus giving the employee an ever-increased purchasing power and the consumer that which is his right in the new order.

2. We as FARMERS—PRODUCERS AND SELLERS OF AGRICULTURAL PRODUCTS—agree to join with our fellow farmers in working out and observing agreements not to sell our products below a fair price which shall include a fair rate of pay for ourselves as farmers and a fair rate of pay for those we employ, in order that we shall not break down the economic structure. Further we agree to join with our fellow farmers in working out and observing agreements or other lawful compacts to plant and produce in accordance with the needs of our growing and ordered economy as and when it becomes ordered. We pledge our full cooperation in every respect to help work out the plans to establish an ordered economy. We recognize the necessity for decreasing costs of farm production and financing, and agree to seek to reduce costs, eliminate waste, employ science and cooperatively work out financing with a minimum of government aid and control. Our aim will be to make farming a self-reliant industry, in-

dependent of government. Our aim will also be to work out with industry such inequities as will make us prosperous consumers as well as producers. We recognize that the "farmer," in the sense the word is used herein, is also a business man. We therefore agree to discharge the social obligations of business men and to shoulder the responsibility expected of business men in return for the right to a fair return and economic security implied in the idea of an Industrial Commonwealth.

3. We as EMPLOYEES enjoying the freedom of collective bargaining and the right to join with our fellow employees to protect our interests realize that in having this right assured to us our position has become that of co-manager of the machine civilization along with management and the investor. We accept the responsibilities of this co-managership. We recognize that our efforts to raise our standards of living and spread employment must be made in recognition of the public interest as embodied in the rights of the consumer, of management and of the investor. We pledge our whole-hearted cooperation to all the other elements of the economic process, and as co-manager of our machine civilization accept for proper discharge our part of the social obligations now resting upon business. We pledge ourselves to earn and deserve in every respect whatever participation we shall receive in the reasonable profits of industry. We realize that this puts a new and unusual obligation upon us as co-managers and as consumers. Specifically, when acting as individuals or in groups, we agree to strive to eliminate all forms of waste because such action is for the betterment of the whole economic process in the direction of lowering prices, reducing hours, improving products, increasing real wages and improving the standard of working conditions.

4. We as BANKERS AND INVESTMENT MANAGERS recognize that we are charged with the management of the credit resources of the country. We further recognize that the intelligent, far-sighted administration of these credit resources is necessary to the successful operation of the economic process, which in turn is the only creator of wealth and security. We recognize that the currency in which we deal is the token of prosperity and not its creator. We do therefore agree to join with all divisions of industry in working out its plans and programs for regulating and financing itself in order that it may make fair profits to be distributed throughout the body economic. We believe it our duty to explore and develop new forms of credit, especially forms to finance consumption. We pledge our abilities and resources to work out, in cooperation with the managers of industry and all others interested, practical programs to finance consuming power proportionate to our production capacity. We believe that the basic principle of a profit for industry if recognized and fostered would lead to a real increase of wages and material reduction in prices, and would result in solving the currency, budget and relief problems of the

government. Since credit—which is our stock in trade—is the keystone of our whole industrial structure and can be supported only by industrial earnings, we believe the recognition of that principle will establish confidence in the minds of the American people essential to any recovery that is to be planned or permanent.

5. We as INVESTORS—whether STOCKHOLDERS, BONDHOLDERS, MORTGAGEES, SAVINGS-BANK DEPOSITORS, OR HOLDERS OF LIFE INSURANCE—recognize the validity of the principle that business is entitled to a reasonable return and subscribe to its observance. We recognize that it is only through the prosperity of the country at large that our investments can pay interest or dividends and our capital be safe. We recognize that the operation of the principles set forth herein will tend toward the reduction of rates of interest in favor of greater security of the principal invested, and greater assurance of yield thereon. We recognize the value of this to ourselves and our heirs and agree to cooperate in inaugurating the principles outlined herein.

6. We as FEDERAL, STATE AND MUNICIPAL LEGISLATORS, OFFICEHOLDERS and EMPLOYEES recognize that in this country the various governmental functions and services can continue to operate only if business earns a reasonable return. We pledge ourselves to help business to do this and to cooperate toward the setting up of an economy which will function with a minimum of governmental direction and interference, and which will dedicate itself to the principles of our platform. We further pledge ourselves to eliminate waste in public affairs and to administer our offices as economically as if we were public-spirited business men. We hail the day when industry will be able to assure useful employment for all, since it will enable us to give the people the most efficient government service and give us that independence we need to best serve the people. We believe that government employees should be in a position to have no fear of losing jobs that should be given up in the public interest.

7. We as PROFESSIONAL MEN AND WOMEN agree to observe the principles of the party platform wherever they may be seen to apply in our professions, particularly in so far as they apply to our dealings with those we employ and those we buy from. We look forward with hope to the not distant future when all those engaged in the economic process will have a professional status and thus be devoted principally to the ideal of serving their fellows. We believe that general prosperity will relieve the professions of economic worry and enable them to serve more efficiently in the solving of human problems and the curing of human ills.

8. We and all of us as CONSUMERS, either INDIVIDUAL OR BUSINESS, agree to recognize the right of the seller to a fair return and agree that

we will not knowingly purchase goods or require services from those not complying with the principles set forth herein. We pledge ourselves not to buy anything offered at so low a price as to put out of business merchants earning decent returns and discharging their social obligations. We further pledge ourselves not to make any purchase which will encourage the keeping in business of those manufacturers, merchants and sellers of goods and services who by virtue of outmoded business practices gain a momentary advantage and thereby put legitimate merchants, manufacturers and farmers at a disadvantage and ultimately out of business. We know this has resulted and will result in putting people out of employment, lowering standards of quality and standards of living, and in "distress" prices, of which those in distress cannot avail themselves.

Once WE, THE PEOPLE, know that the government is fully aware of the right of business and the individual to a fair return as outlined in the platform, we will accept the fact that the objectives of our platform should be established in an orderly manner but cannot be established immediately. We will have patience and forbearance and will keep our shoulders to the wheel. We realize that the habits of buying, selling and working—of living itself—now practiced by most of us will have to be changed, and that that will take time.

The principles of our platform to become effective must become widely known, understood and subscribed to throughout the country.

We endorse therefore the formation of an American Academy of Industry to take over the education of employers, employees, investors, public officials, professional people and consumers as to what each one's part should be and how he must play it. We expect that it will give us a new philosophy of life suited to an industrial civilization. As a nation and as individuals, we know little about prices, costs, profits, wages, money, interest and similar things. We expect that such an Academy will help to throw light on such questions as "what are proper wages, prices and profits" in this new civilization we are building wherein the keynote is really economic security for all rather than private profit for a few. We expect that such an Academy will take over the problem of dealing with the long-term objectives of our economy and will educate the people in them as well as in the day-to-day objectives and problems.

We endorse the idea that an American Academy should give recognition to those who make substantial contribution to the establishment of a new economy in this country, in somewhat the same way as the French Legion of Honor does.

Since the dawn of human life practically all of us have been in one form or another in economic servitude. We believe that this educational and scientific organization should prepare a goal or goals for industry which would team the whole country into accomplishing an economic objective—to make the machine our slave—to the end that the machine civilization in which we live will really free mankind, and enable most of us, especially the workers, to live as free men and women for the first time in history.

INDEX

- Academy of Industry, 201 *et seq.*
 - arm of industry, 201
 - coordinator of industrial studies, 205
 - educational work of, 79, 84, 202, 204, 205, 206
 - industrial relations work of, 205
 - influence toward better living, 204
 - liaison between government and industry, 206
 - publicizer of economic truths and discoveries, 205
 - publicizer of goals for industry, 205
 - recognition of merit in industry, 202, 204
 - under Industrial Commonwealth, 201 *et seq.*
- Advertising, under Industrial Commonwealth, 95, 96
- Agreements in industry, part in Industrial Commonwealth, 61, 62-67
- Agricultural Adjustment Act, aim of, 47
- decision of Supreme Court, 188
- Agriculture, as business, 188
 - decline in prices, 183
 - development of, in United States, 180, 181
 - exempted from anti-trust laws, 39, 183
 - income compared with industry's, 184
 - lack of coordination with industry, 180, 184
 - marketing agreements, 188
 - Morris L. Cooke's speech on, 185
 - necessity of credit for, 186
 - necessity of organization in, 182, 188
 - past attempts to organize, 182
 - research in, under Industrial Commonwealth, 183
- American Arbitration Association, 66
- American Telephone and Telegraph Company, five-year plan of, 93
- American Trade Association Executives' Convention, Arthur Anderson's speech on cost accounting, 106
- Anderson, Arthur, on cost accounting, 106
- Anti-Trust Laws, 38, 39
 - birth of, 35
 - decisions under, *see Supreme Court*
 - fear of, 55
- Appalachian Coal Case, decision in, 52, 57
- Arbitration, American Arbitration Association, 66
 - courts available for, 56
 - courts unnecessary for, 65
- Aristotle, presupposed a need for slave class, 18, 19
- Armaments, developed on vast scale by nations, 137
 - paid for by labor, 153, 178
 - problem of, 133
- Attorney-General of the United States, 64, 65
- Bacon, presupposed the need of serfs, 18
- Badger, Sherwin, 45
- Bankers, findings of Senate investigation, 164
 - greatest power in industry, 164
 - obligations in Industrial Commonwealth, 92, 93
 - opportunity for, 143, 146
 - place in Industrial Commonwealth, 92, 93
 - predatory, 164
- Bank for International Settlements, 141
- Banks, "baby banks," 123
 - closing of, in 1933, 44
- Better Living, activity of Academy of Industry, 204
 - economic security essential, 203, 204
 - education in, 203, 204
- Brookings Institution, 93
- Bryan, William Jennings, 38
- Budgeting, economy of a nation, 92
- Building industry, prospects under Industrial Commonwealth, 91, 92
- Bureaucracy, cannot control industry, 15
 - elimination of, 67
 - faults of, 48
 - leads to regimentation, 16
 - permanence of, 48
 - slaves of, 15
- Business cycles, under Industrial Commonwealth, 94
- Butler, Nicholas Murray, on our national economic progress, 7

- Capital, New Deal distrust of, 49
 - no assurance of safety under NRA, 53
 - Capital Goods Industries, 91
 - See also Durable Goods Industries*
- Capitalism, crises in, 11
 - Keynes, John Maynard on, 11
 - not a system, 8, 148
 - Strachey, John, on, 10, 11
- Cardozo, Justice, 52
- Cement Case, 57, 191
- Chamber of Commerce of the U S, 24, 165
- Chambers of Commerce, local, supplementary to trade associations, 79
- "Chiseler," government becomes, 54, 55, 193
- Civil War, industrial stimulation due to, 34
- Clayton Act, birth of, 38
 - provisions of, 39
- Codes of Fair Competition, how industry can write own codes, 52, 61-64
 - not forbidden by Schechter decision, 51
 - under NRA, 3, 47, 51
- Collectivism, European, 147 *et seq.*
- Combinations, *see Supreme Court, attitude toward*
- Commerce, democratic force, 4
 - Chamber of, 24, 165
- Committee on Recent Social Trends, 44
- Communism, autocratic at base, 156, 157
 - domination of individual by state, 15
 - impotent to provide industrial order, 11
 - insistence on violent overthrow, 10
 - Keynes, John Maynard, on, 11
 - Russian, 87
 - Russian teachings on, 15
 - shows evils of bureaucracy, 56
 - stifles individual initiative, 155
 - theories of Karl Marx, 10
- Competition, between workers, 10
 - cut-throat, elimination of, 5, 63
 - obstacle to industrial progress, 6
 - orderly under Industrial Commonwealth, 107
- Congress should aid, not rule, industry, 11
- Constitution, amendment of, 51, 59
- Consumer, as investor, 189
 - as producer, 189, 191, 194
 - "baby banks," 123
 - buys from self, 194
 - credit for, 111-125, 126, 190
 - credit unions, 123
- Consumer—(*Continued*)
 - education as to fair price, 195
 - effect of Feld Law, 191
 - effect of machine on, 189
 - effect of mass production on, 189
 - emphasis on consumer, not producer, 189
 - farmer as, 185
 - government as, 190, 193
 - greatest sufferer under present economy, 190, 191
 - individual, 190
 - industrial, 190
 - must permit a profit, 194
 - must submit to scientific prices, 194
 - necessity of income and credit, 189
 - no representation needed, 78
 - protected against high prices under Industrial Commonwealth, 108
 - protected by courts under Industrial Commonwealth, 78
 - rôle of, in Industrial Commonwealth, 189 *et seq.*
 - self-protection, 194, 195
 - woman as, 196
- Consumption, emphasis on, needed, 111
 - not equal to production, 111
 - stimulation of, with credit, 120, 121
- Cooke, Morris L., on needs of farmers, 185, 186
- Cooperation, between farmers, 187
 - between industrialists and farmers, 187, 188
 - between nations, 138
 - by industry in World War, 24, 40
 - cannot be created by government, 24
 - necessity of, 157
- Corporative State, announced by Mussolini, 149
- Corporations, Bureau of, 35
 - Commissioner James R. Garfield on, 36, 37
 - food-distributing, 184
 - The Modern Corporation and Private Property*, 41
- Cost Accounting, Arthur Anderson's
 - speech on, 106
 - effect on "profits," 104
 - knowledge of probable sales needed, 106
 - need for, 104, 106, 190, 193
 - preparation of cost sheet, 105
- Costs, basis for prices, 105
 - component factors of, 103, 104, 105
 - depreciation as factor of, 104
 - ignorance of, 104

- Courts, as arbiters, 56
 as balance-wheel, 10
 Court of Appeals of the State of New York, 191
 expansion of, 65
 Federal Industrial Courts, 66
 proper relation to industry, 11
 provide protection against monopoly, 59, 60
 Wilson, Woodrow, definition of, 10
- Credit, basis of prosperity, 113, 144
 benefits of intelligent use of, 7
 consumer credit, 111-125, 126, 190
 credit unions, 123
 definition of, 8
 evaluating human beings, 111, 114, 115, 121
 failure to use, 89, 111, 114
 Federal Credit Union Act, 124
 for "exploiting" foreign resources, 144
 for industry, 125-130
 for modernization and new construction, 127
 government credit under Industrial Commonwealth, 130-132
 international, 133-146
 long-term, needed, 144, 145
 lower interest rates needed, 117, 127, 128
 manipulation of, 128
 mobilization of, 114, 127, 128
 need of, 40, 111, 134, 135, 136
 needed by the poor, 124
 relation to world peace, 133 *et seq.*
 removes incentive to hoard, 116
 to bring consumption and production in balance, 111-113
 United States as international credit agency, 143, 144
 use in agriculture, 183, 186
 use of, 111 *et seq.*
 versus cost of war, 135
- Currency, depreciation of, 50
 manipulation of, 130, 131
- Declaratory Judgment Act, Federal, 63-65
 scope of, 64
 similarity to "friendly" action of Attorney-General, 65
 text of, 63
- Democracy, definition of, 3
- Department of Commerce and Labor, birth of, 35
- Department of Justice, 64
- Depreciation, errors in figuring, 104
- De Tocqueville, 155, 156
- Dictatorship, as distinguished from controlled economy, 21, 152, 154, 157
 exists only where there is no tradition of self-government, 21, 150, 151
 in Colonial times, 152
 in England and France, 152
 in Italy, Germany, Russia, 150-153
 labor under, 153
 stimulated abroad by lack of international credit mechanism, 136
- Distribution, as problem of a depression, 40
 maldistribution, 115
 now greatly retarded, 7
 problem today, 11
- Distributors under Industrial Commonwealth, 68, 69, 70, 77
- Durable Goods Industries, control of, 81
See also Capital Goods Industries
- Economics, control of, not synonymous with dictatorship, 21
 governmental domination of, 17
- Edge, Charles N., *Living Age*, 185
- Education, can "change human nature," 202, 203
 industrial and economic, need of, 201
 necessity of, for consumer, 192
 to combat misleading propaganda, 206
See also Academy of Industry
- Employees, as stockholders, 43
See also Labor
- Employment, must be guaranteed, 12
See also Labor
- Encyclopedia Italiana*, Mussolini's definition of Fascism in, 149
- Endicott-Johnson Company, profit-sharing plan, 84
- Engels, Friedrich, 18 n.
 course of industrial progress, 20
- European Loans, attitude of United States on war loans, 137
 cancellation of war loans, 137
 insufficiency of, 134, 135
 need of continuing, 135, 136
- Export-Import Agency, activities of, 142
 farmers to cooperate with, 184
- Exports, drop in, 135
 Export-Import Agency, 142
 hampered by insufficient lending, 135, 136
- Failures, business (table), 102
 causes of, 102

- Fair return, in the public interest, 58
 necessity of, 54
 not understood by NRA administrators, 54
 pledge regarding a fair return, 13
 theory behind NRA, 62, 63
 U. S. Supreme Court decision on, 58
- Farmers, conflict with industry, 180
 consumers, 181, 185
 cooperation with each other, 187
 cooperation with industry, 187, 188
 cooperatives, 182
 credit for, 183, 186
 diversified activities of, 182
 effect of machines on, 180, 185, 186
 exempt from anti-trust laws, 39, 183
 financial aid for, under Industrial Commonwealth, 183
 integral part of Industrial Commonwealth, 180
 in international affairs, 184, 187
 lack of modern conveniences, 185, 186
 linked with entire economy, 181
 needs of, 182, 187
 number needed, 180, 187
 relation to industry, 181
 restrictions and doles for, no solution, 186, 187
 rôle of, in Industrial Commonwealth, 180 *et seq.*
See also Agriculture
- Fascism, autocratic at base, 150, 156, 157
 definition of, 149
 reverberations in U. S., 148
 shows evils of bureaucracy, 56
 stifles individual initiative, 155
- Federal Credit Union Act, 124
- Federal Home Owners' Loan Corporation, 161
- Federal Industrial Courts, 66
- Federal Reserve System, establishment of, 38
- Federal Trade Commission, 52, 66
 establishment of, 38
 political domination of, 39, 42
 possibilities under, and failure of, 42
 Section 5, 62
- Feld Law, 191
- Finance, clash with industry, 92, 93
 era of finance capitalism nearly over, 129
 "invisible government" of, 37
- Ford, Henry, high wage policy, 38
 on money, 116
 prophet of mass production, 38
- Foreign Trade, actual transfers of gold not needed in, 140
 barriers in, 133, 137
 competition of low-wage countries, 142, 143
 international economic agreements needed, 137
 long-term credit needed, 144, 145
 raising of foreign standards of living, 142
 stabilized world price levels needed, 143
 under Industrial Commonwealth, 94
 uniformly high world wage rates needed, 143
See also Exports
- Garfield, James R., 36, 37
- General Electric Company, profit-sharing plan, 83, 84
- George, Lloyd, *War Memoirs* of, 6
- Goals, of Industrial Commonwealth, 85 *et seq.*
 data for setting, 88, 92, 93
 for particular industries, 93
 publicized by Academy of Industry, 205
- Gold, actual transfers of, not needed in foreign trade, 140, 141
 change in gold content of dollar, 130
 confiscation of, 48
 effect of cut in gold content of dollar on labor, 55
 gold standard, 130
 repudiation of gold payments, 48
 token of value only, 130
- Government, advancement in service, 22
 as consumer, 190, 193
 can be assured necessary taxes by industry, 13
 centralization of, 48
 controlled by people interested in self-advancement, 22
 encroaching on industry and finance, 21
 inability to govern industry, 4, 8
 limits to power of, 9
 relation to industry, 9, 25, 53
 separation from industry, 16 *et seq.*
 U. S. Supreme Court as final arbiter of, 9
 usurpation of power, 16
- Greenback Party, 37
- Hardwood Case, 57
- Hausleiter, Leo, in *The Machine Unchained*, 12
- Hitler, 136
 definition of Nazi philosophy, 149

Hoover, Herbert, administration of, 43, 44
 Committee on Recent Social Trends, 44
 Housing, need for additional, 91, 92
 need for modernization of, 91, 92
 Human Collateral, as basis for credit, 112, 113

Income, equality of, not essential, 4
 Income Tax Law, 38
 maldistribution of, corrected by consumption credit, 115
 of American families, 88
 setting of goals to increase national income, 90

Income Tax Law, 38

Industrial Commonwealth, Academy of
 Industry in, 201 *et seq.*
 agreements within industry, 61, 62, 66, 67

aims of, 85 *et seq.*
 applicable to all industrial countries, 137, 138
 basis of, 38, 152
 cooperation between nations, 138-146
 coordination of industry in, 57 *et seq.*, 87, 91
 credit under, 111 *et seq.*

effect on international relations, 96, 133 *et seq.*

elimination of waste in, 91
 first steps necessary, 61, 62
 foreign trade, 94, 133 *et seq.*
 goals of, 85 *et seq.*

guaranteed income under, 86
 increase of wealth under, 88
 individual liberty essential, 154
 inefficient units, 81, 82

initiated by industry, 60
 initiated by President of the United States, 59, 60

labor in, 72, 75, 97, 98, 166, 169 *et seq.*, 197

National Economic Council, *see National Economic Council*

need for, 58, 59
 need of definite economic purposes in, 86

new problems under, 82, 83
 not to displace civil government, 64
 obligations of industry under, 79, 80
 open to constant improvements, 206
 operating principles of, 61, 62
 organization of, 57 *et seq.*, 68 *et seq.*
 organization of textile industry in, 72, 75-78 incl.

Industrial Commonwealth—(*Continued*)
 organization of typical trade association group in, 72, 75-78 incl.
 place of advertising in, 95, 96
 political interference eliminated in, 64
 political platform for, 208 *et seq.*
 profits essential in, 104
 profit-sharing in, 83, 90, 172, 178, 179
 protection for individual in, 154, 155
 publicity of security issues, 129
 relation to political state, 21, 28, 30
 research, 62, 83
 restrictions on starting new businesses, 82, 83

rights of small business units, 81, 82
 rôle of education in, 201 *et seq.*
 rôle of farmer in, 180 *et seq.*
 rôle of labor in, 169 *et seq.*

rôle of management in, 159 *et seq.*
 rôle of women in, 196 *et seq.*

salaries and wages under, 90, 91, 167
 subdivided plan for, 68 *et seq.*

trade agreements with other nations, 69, 137 *et seq.*

trade associations under, 61, 62, 68 *et seq.*

unemployment, 96, 97, 98
 use of Declaratory Judgment Act, 63-65

Industrial Courts, appeals to, 66
 proposal for, 66

Industrial groups, local, harmonizing force, 79

importance of, 79

Industry, ability to produce all necessary goods, 88, 89

agreements in, 57, 61-67

as profession, 84

as public utility, 110, 166

can assure government necessary taxes, 13, 96

can initiate Industrial Commonwealth, 60

cannot be operated by force, 157

clash with finance, 92

complexity of, 17

comprises entire body economic, 57, 115

conflicts with farmers, 180, 184

constitution necessary for, 12, 24

cooperation essential, 157

coordination essential, 87

credit for, 125-130

effect of World War, 39

efforts to organize, 165, 166

employee investment in, 43

Industry—(*Continued*)

- entitled to certain rights, 27
 - failure to produce needed goods, 88, 89
 - fear of anti-trust laws, 39, 42
 - friction increased by National Recovery Administration, 55
 - goals for, 85 *et seq.*
 - government control over, limited by U. S. Supreme Court, 53
 - heavy taxes imposed upon, 110
 - inefficient units of, 95
 - laissez faire* attitude, 16
 - laws imposed on, 17
 - loose structure, cost of, 25
 - must cease bribery and chicanery, 27
 - necessity for organization, 8, 57, 85
 - not used at capacity, 89
 - obligations of, under Industrial Commonwealth, 79, 80
 - possibility of expansion, 89
 - principles of, 79, 80
 - responsibility of, 31, 58
 - rewards for service to, 202, 204
 - rôle of consumer in, 189 *et seq.*
 - self-government of, 2, 4, 8, 17, 24, 31, 58, 59, 64, 79, 80
 - separation from state, 16 *et seq.*, 59
 - should be aided by government, 11
 - should plan for higher standard of living, 13
 - to operate national economy, 165
 - who would operate, 67
- Information, right of business, to exchange, 58
- Installment buying, impetus to prosperity, 41
- International Affairs, agriculture's loss of export markets, 184
- armaments, 133, 137, 153
- attitude of the United States to European debtors, 137
- Bank for International Settlements, 141
- cooperation essential in, 138
- credit, need of, 134, 135, 136
- credit versus armaments, 139
- currency barricades, 133
- elimination of politics, 137, 138
- Export-Import Agency, 184
- exports, United States, 135
- Foreign Trade Credit Agency, 184
- gold payments not necessary, 140, 141
- international amity fostered by trade agreements, 96
- Japan's needs, 136

International Affairs—(*Continued*)

- lack of credit mechanism, results of, 136
 - part of farmers, 184
 - quotas, 133
 - reciprocal trade agreements, 139-141
 - Russia, effect of loans to, 136
 - stabilized world prices, 143
 - striking of balances, 141
 - tariff walls, 133
 - United States loans to Europe, 134
 - world trade agreements, 139
- International Harvester Case, 57
- Interstate Commerce Commission, 21
- Japan, needs of, 136
- Johnson, General Hugh S., called business men "chiselers," 54
- The Blue Eagle from Egg to Earth*, 41
- Keynes, John Maynard, 11
- Labor, American, in competition with foreign, 178
- antagonism of under bureaucratic government, 16
- as part of management, 166, 169, 171
- beneficiary of industrial progress, 172, 178
- change in character of, 97
- displacement of workers, 97
- disputes, 172, 173
- effect of cut in value of dollar, 55
- employment, *see Employment*
- exempted from jurisdiction of anti-trust laws, 39
- gains most under Industrial Commonwealth, 179
- General Motors Corporation plan for, 171
- grievances, settlement of, 173
- hours of, 172
- importance of labor's buying power, 166, 171, 172
- influence in politics, 172
- interests identical with management's, 169, 171
- labor tactics brought in "efficiency methods," 176
- lobbying activities of, 29
- more leisure for, 172
- must be assured a profit, 14
- New Deal's distrust of, 49
- not a commodity, 70
- place of in Industrial Commonwealth, 72, 75, 97, 98

- Labor, American—(*Continued*)
 possibility of 20-hour week, 1
 power of the strike, 169
 profit-sharing, 83, 90, 172, 178, 179
 representation of, 173
 reshaping of organization of, 174
 responsibilities of, 179
 rôle of, 169 *et seq.*
 salaries and wages, 167
 security of employment guaranteed,
 172
 social benefits for, 61, 62, 98
 training for, 178
 under National Recovery Administra-
 tion, 53
 uniform 30-hour-a-week law, 176
 unions, 174, 175, 177
 use of strike, 176
 vertical organization of, 177
 wages of, 80, 90, 91, 167, 168
 working with management, 178
Laissez faire, policy of, in management,
 160
 produces "profitless prosperity," 16
 results of, 16
 under recent Republican administra-
 tions, 16
 League of Nations, impotence of, 133
 Lenin, his definition of Communism, 7
 methods used to make machine fulfill
 its obligations, 20
 Liberty, individual, essential to orderly
 economy, 154
 sacrificed to state, 148
 Lobbying, 22, 27 *et seq.*
 Losses in business, causes of, 102
 due to government regulation, 101, 102
 in automotive industry, 102
 of big corporations, 101
 selling at loss, 104
 Machine Age, effects on farmers, 186
 immediate background and history of,
 33-35
 Machines, dedication of, 20
 effect on farmers, 180, 181, 185, 186
 how first regarded, 20
 in civilization, 2, 19
 insuring full use of, 11
 Machine Unchained, by Leo Hausleiter,
 12
 need of controlling, 2
 obsolescence of, 80
 possibilities of, 2
 present use of, 15
 Machines—(*Continued*)
 responsible for Marx's philosophy, 19
 slaves of man, 2, 170
 use in war, 6
 Management, appeals for government aid,
 165
 controls wealth of people, 161
 fear of legal restrictions, 160
 interests identical with labor's, 169,
 171
 laissez faire policy, 160
 leaders in reorganization of industry,
 160
 must clean up ancient abuses, 164, 165
 must solve fundamental economic prob-
 lems, 163
 must take initiative, 171
 must throw off financial control, 162
 must throw off government control,
 162
 must work with labor, 162
 needs definite goals, 161
 opportunity for, 161
 profession of, 163
 responsibility of, 159-163
 rôle of, in Industrial Commonwealth,
 159 *et seq.*
 training for, 159
 wages of, 167, 168
 Maple Flooring Case, 57
 Marx, Karl, envisaged course of indus-
 trial progress, 20
 false assumptions of, 10
 lived during "adolescence" of machine,
 19
 Mass production, blindness of politicians
 to, 37
 effect on prices, 103
 Henry Ford, on, 38
 possibilities of, 92
 Mergers, mistakes of, 41
 movement of 1920's, 41
 Remington Cash Register Company
 with National Cash Register Com-
 pany, 65
 Standard Oil Company of New York
 with Vacuum Oil Company, 64
 Minimum prices, right to fix, 58
 Money, a token merely, 116
 currency barricades in international af-
 fairs, 133
 has no divine right, 117
 inflation, 130, 131
 managed, 130, 131
 movement of, 116

- Money—(*Continued*)
 not wealth, 116
 political manipulation of, 130, 131
- Monopolies, Bureau of Corporations, 35
 courts provide protection against, 59, 60
 development of, 5, 35
 domination over government, 5
 evils of, 5
 Sherman Anti-Trust Law, 35
 United Shoe Machinery, 159
 weakness of laws against, 36
- Mumford, Lewis, 32
- Mussolini, announced Corporative State, 149
 definition of Fascism, 149
- National Association of Manufacturers, 24, 165
- National Cash Register Company, merger with Remington Cash Register Company, 65
- National Economic Council, advancement of credit under, 127
 control of durable goods industries, 8, 182
 for planned industry, 80
 how constituted, 68
 how elected, 68
 profit-sharing plans, 83, 90
 proposal for, 68, 69
 tasks of, 90, 91, 92
 trade agreements, 69
- National Industrial Conference Board, 93
- National Industrial Recovery Act and Administration, assured no safety to labor and capital, 53
 codes, 3, 47, 51
 decision of Supreme Court, 50, 52, 53, 59
 economics of no-loss prices not understood, 54
 failure of, 54-56
 increased friction in industry, 55
 lack of elasticity in, 54
 necessity for education under, 53, 54
 passing of, 62
 principles of, not carried out, 8
 theory of, 53
- Nationalism, cause of, 136
 effect of, 136, 137
 fosters use of armaments, 133, 137, 153
- National Wealth, *see Wealth, National*
- Nazism, 136, 148, 149
- New Deal, dissatisfaction with, 53
 distrust of business, 49
 distrust of labor, 49
 faults of, 47
 history of, 46 *et seq.*
 impotence to solve problems of labor, 53
 real birth in 1912, 37
 shows evils of bureaucracy, 56
- New York State Milk Case, decision of Supreme Court, 57
- Oklahoma Ice Case, 57
- Old Deal, 33 *et seq.*
- Organization, necessity of, 57, 85
- Paper industry, program to eliminate inefficient mills, 81
- Peace, dependent upon credit, 146
 effect of credit on, 133 *et seq.*
- Plato, saw necessity for slaves, 18
- Political Platform for Industrial Commonwealth, 208 *et seq.*
- Politicians, elimination of interference by, 64
 failure to face facts, 37
 helplessness to bring prosperity, 87
 lack of practical business experience, 22
 policies dictated by desire to be re-elected, 22
- Politics, definition of, 4
 elimination of interference by, 64
 failure to solve farmers' problems, 184, 185, 187
 guiding principle of, 17
 inability to operate industry, 4
 in international affairs, 137, 138
- Populist Party, 37
- Poverty, decrease in per capita wealth, 89
 defeat of, 87
 income of American families, 88
- President of the United States, can initiate Industrial Commonwealth, 59, 60
- Prices, creation of an "effective" price level, 161
 determined at present by unscientific bargaining, 108, 190
 fair, necessary to consumer, 192
 mass production, effect on, 103
 result of low prices, 190
 stabilized world prices, 143
 under Industrial Commonwealth, 103
- Producers, high-cost, 81
 must be assured a profit, 14

- Production, allotment of, 106, 107
 - as basis for cost finding, 106
 - control of, 120
 - disorderly at present, 107
 - evils of restricting, 140
 - must be profitable, 13, 14
 - possibilities limitless, 7
- "Profitless Prosperity," 33, 41
- Profits, as a natural right, 84
 - as an economic necessity, 84
 - basis of high wages, 107, 108
 - definition of, 99 *et seq.*
 - essential under Industrial Commonwealth, 104
 - in the public interest, 57
 - losses of corporations, 101, 102
 - natural right of producer, 109
 - necessity of, 13, 54, 58, 63, 100, 103, 107, 108
 - no stigma attached to, 109
 - not inordinate, 105, 106
 - of corporations, 41, 184
 - opposed by politicians, 103
 - "profitless prosperity," 33, 41
 - scientific distribution of, 109
 - Supreme Court decisions on, 58
 - temporary when acquired by uneconomic tactics, 192
 - unfair war on, 110
 - use of, 100, 101
- Profit-sharing, Endicott-Johnson Company, 84
 - for labor, 83, 90, 172, 178, 179
 - General Electric Company, 83, 84
 - under Industrial Commonwealth, 83, 90
- Progressive Party, effects of, 37
- Prosperity, dependent upon management, 162
 - failure of legislation to create, 43
 - "profitless prosperity," 33, 41
- Public expenditures, ineffectiveness of, 50
- Public interest, decision in Appalachian Coal case, 52
 - profits in, 57
 - public utility cases, 58
- Public utility cases, decision in, 58
- Publicity, of security issues, 129
 - to curb speculation, 129
- Pujo investigation, 39
- Purchasing power, better use of, 95
 - effect of wages on, 43
 - necessity of, 7
 - plan to increase, 13
- Reconstruction Finance Corporation, 44, 161
- Regulation of industry by government,
 - faults of, 101
 - loss selling, 101
- Remington Cash Register Company,
 - merger with National Cash Register Company, 65
- Research, place of in planned economy, 13
 - under Industrial Commonwealth, 83
- Reserves, lack of, 105, 106
 - necessity of, 105
- Rewards, for meritorious service to industry, 202, 204
 - money not a test of ability, 202, 203
- Roosevelt, Franklin D., aim of administration, not realized, 53
 - conditions when he took office, 46
 - first efforts of, 47
 - ideology of, 33
 - intentions of, 46
 - Looking Forward*, 49
 - message on relief, 56
- Roosevelt, Theodore, 37
- Russia, Communism in, 15, 87
 - effect of loans to, 136
 - recognizes need for profits, 110
- Schechter Case, 15, 50-53
 - decision of U. S. Supreme Court, 9, 10, 50
 - effect of decision on industry, 9, 10, 15
 - significance of, 50
- Securities Acts, 50
- Seller, must have a profit, 57
- Senate investigation, of banking, 164
- Sherman Anti-Trust Law, 35
- Small business units, under Industrial Commonwealth, 81
- Standard Oil Company of New York,
 - decision of U. S. Supreme Court, 57
 - merger with Vacuum Oil Company, 64
- State, The, a closed corporation, 17
 - American conception of, 150
 - Fascist conception of, 149
 - medieval problem of separation from Church, 18
 - Nazi conception of, 149
 - responsibility to citizens, 17
 - separation from industry, 16 *et seq.*
- Stock Exchanges, abuses of, 129
 - not source of real wealth, 128
 - publicity of security issues, 129
 - Securities Acts, 50
 - use of call money, 128, 129

- Strachey, John, his assumption that catastrophic crises are inevitable, 11
Nature of Capitalist Crisis, 10
- Strikes, indiscriminate use of, 176
 labor's right to strike, 176
 power of, 169
 unions, 174, 175, 177
- Super-Trade Associations, 68
- Supreme Court of the U. S., 9, 10, 38, 50-53, 57, 58
 Appalachian Coal Case, 52, 57
 as arbiter of government, 9
 attitude toward combinations, 57, 159
 Cement Case, 57, 191
 decisions of, 10, 15, 50, 52, 53, 57, 58, 66, 188, 191
 International Harvester Case, 57
 interpretation of anti-trust laws, 38
 judges each case on its own merits, 64
 lays basis for Industrial Commonwealth, 38
 limits authority of government, 53
 Maple Flooring Case, 57
 New York State Milk Case, 57
 Oklahoma Ice Case, 57
 permits voluntary agreements, 52
 protector of basic liberties, 9
 public utility cases, 58
 Schechter Case, 15, 50-53
 Standard Oil case, 57
 Trenton Potteries Case, 57
 United States Steel Case, 38, 57
- Taft, William Howard, 37
- Tariffs, quotas, 133
 tariff walls, 133
- Taxes, aimed chiefly at industry, 110
 effect of graft on taxes, 32
 guaranteed by industry in Industrial Commonwealth, 13, 96
 how properly obtained, 69
 inheritance, 96
 limit size of fortunes, 96
 lower under Industrial Commonwealth, 165
- Taylor, John, 26
- Textile Industry, Organization of, 75-78
- Trade, agreements, 69, 159
 cooperation between nations, 138
 international balance of, 140
 reciprocal trade agreements, 139, 140, 141
 restraint of, 57, *see Supreme Court, attitude toward combinations*
 striking of balances, 141
See also Foreign Trade
- Trade associations, after World War, 40
 could establish codes, 52
 organization of in Industrial Commonwealth, 75-78
 place of in Industrial Commonwealth, 61, 62, 68
 proposed provision for arbitration of disputes, 66
 supplemented by Chamber of Commerce, 79
 tie up local organizations, 78
- Trade practices, unfair, *see Unfair trade practices*
- Trenton Potteries Case, 57
- Trusts, evils of, 35
 "trust-busting," 39
- Unemployment, caused by government, 193
 in capital goods industries, 91
 in 1912, 37
 under Industrial Commonwealth, 96-98
- Unfair trade practices, 193, 194
 further reform needed, 194
 progress made, 194
- Unions, abuses of, 174, 175
 activities of, 174
 limitation of output, 175
 mistakes of, 174, 175
 objectives of, 177
 rules of, 174
 sabotage, 175
- United Shoe Machinery Case, 57, 159
- Vacuum Oil Company, merger with Standard Oil Company of New York, 64
- Voluntary agreements, Appalachian Coal Case, 52
 permitted by Supreme Court, 52
- Wallace, Henry A., 184
- War, machines in, 6
 munitions and munition makers, 146
 War Industries Board, 12, 40
See also Armaments
- War Industries Board, as example of economic planning, 12
 not suited to peace-time coordination, 40
- Waste, elimination of, 91, 178
 in agriculture, 188

- Wealth, increased by use of credit, 145
 - maldistribution of, 115
 - money not wealth, 116
 - nature of, 116, 145
 - not produced by stock gambling, 128
- Wealth, national, decrease in, 25, 89
 - in 1920, 25
 - in 1932, 25
 - increase in, under Industrial Common-wealth, 90
- Webb-Pomerene Act, failure of, 139
 - provisions of, 39
 - what it permits, 139
- Wilson, Woodrow, 39
 - administration of, 38-40
 - against "invisible government" of finance, 37
 - definition of courts, 10
- Women, as influence, 196
 - as purchasers, 196
 - competition with men, 197, 198
 - education in buying, 196
 - elimination of drudgery, 197
- Women—(*Continued*)
 - exploitation of women by women, 198, 199
 - fair deal for working women, 198
 - in industry, 197, 198
 - insurance for, 198
 - labor of, restricted, 198
 - leadership of, in Industrial Common-wealth, 199
 - rôle of, in Industrial Commonwealth, 196 *et seq.*
- World War, as cause of depression, 134, 135
 - cost of, 135
 - effects on European economy, 134
 - effects on Germany, 134
 - effects on industry, 39
 - effects on the United States, 134
 - exhausted our economy, 20
 - Treaty of Versailles, 134
- Young, Owen D., contribution of, 141